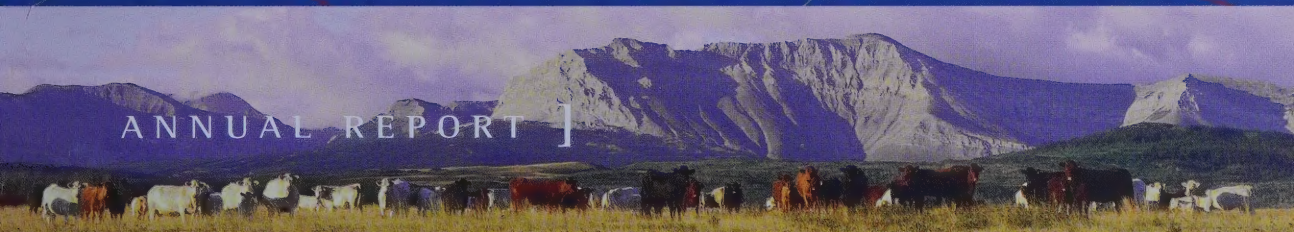


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ANNUAL REPORT |

2001

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RIDLEY INC. PROFILE]

Ridley Inc. is one of the largest North American manufacturers and distributors of formulated livestock feed, serving customers in the United States, western Canada and Ontario. Ridley also distributes animal health products that improve the productivity of livestock herds and poultry flocks.

Ridley's U.S. operations include 26 mills with an annual production capacity of 1,450,000 tons (1,316,000 metric tonnes) of feed. Its Canadian operations comprise 15 mills with annual production capacity of 880,000 metric tonnes. Ridley's products are marketed under a number of highly regarded trade names, including Hubbard Feeds, Wayne Feeds, Feed-Rite, Daco Western Canada, Farmix, Quality Feeds, CRYSTALYX®, and RITE-LIX™.

Ridley's Cotswold International division is a global leader in swine genetics. Cotswold's operations in the United States, Canada, the United Kingdom and Germany market their advanced Cotswold swine genetics to customers in more than 40 countries.

Ridley's strategy for increasing shareholder value is to build on its leadership position in animal nutrition markets, and to develop growth opportunities in related businesses where it can meet its profitability and investment return objectives as a high-quality, low-cost producer.

Ridley Corporation Limited, Australia's largest livestock feed manufacturer, owns approximately 70 percent of Ridley Inc.'s outstanding shares.

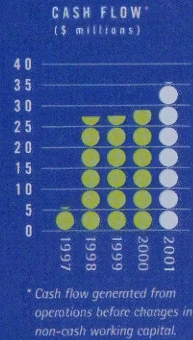
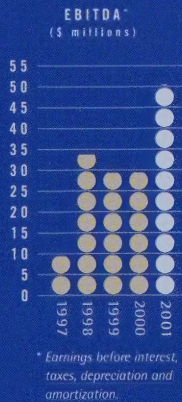
GROWTH } Ridley gained market share with the acquisition of Wayne Feeds, as well as through internally generated growth. Total tonnage shipped was up 24% in fiscal 2001 and EBITDA grew by 70%.

WAYNE FEEDS INTEGRATION } The integration of Wayne Feeds, including administration, sales, purchasing and production was completed, resulting in significant operating synergies and improved efficiencies. Final consolidation of the Hubbard and Wayne product lines will be completed during the first quarter of fiscal 2002.

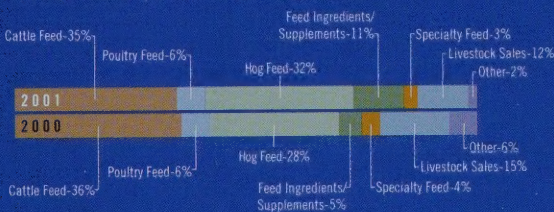
CANADIAN FEED OPERATIONS REBOUND } The Canadian Feed Operations rebounded strongly in fiscal 2001, increasing sales volumes by 11%, improving plant utilization and operating efficiencies, and increasing EBIT by 50%.

LOW-MOISTURE BLOCK VOLUME GROWTH OF 20% } Ridley Block Operations had another record year with 20% growth in volume shipped and a corresponding 20% increase in EBIT. Ridley now has a 50% production share in the U.S.

OPERATING HIGHLIGHTS

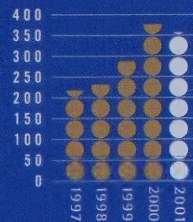


SALES BY PRODUCT LINE - FISCAL 2001 AND 2000

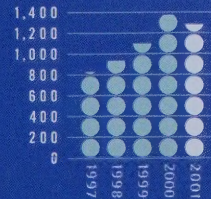


TOTAL ASSETS

(\$ millions)



EMPLOYEES



LEADER IN QUALITY ASSURANCE } Ridley's U.S. Feed Operations and Ridley Block Operations were registered to the ISO 9001 quality standard. Hubbard Feeds became the first major full-line U.S. feed manufacturer to be ISO 9001 registered. Ridley's Canadian Feed Operations were registered in 1998.

DISEASE IN GREAT BRITAIN } Classical Swine Fever and Foot and Mouth Disease in Great Britain had a devastating effect on Cotswold U.K., curtailing domestic sales and shutting down exports of swine for most of fiscal 2001.

DEBT REDUCTION } Ridley paid down 20% of its bank debt, or \$36 million, repaying almost all of the debt incurred for the Wayne Feeds acquisition, and reducing interest expense.

CHAIRMAN'S REPORT]



Dr. J.S. Keniry
Chairman

Fiscal 2001 was a year of contrasts at Ridley Inc., as very strong performance in our animal feed and low-moisture block operations was offset by two outbreaks of disease in the United Kingdom, severely impacting the results of our Cotswold swine genetics business.

On the positive side of the ledger, we leveraged a significant increase in sales revenues to enable us to report improved earnings before interest, taxes, depreciation and amortization (EBITDA), of \$50.2 million, allowing us to pay down a substantial portion of the bank debt incurred to purchase Wayne Feeds.

We completed the smooth integration of Hubbard Feeds and Wayne Feeds in the U.S. The acquisition of Wayne Feeds in March 2000 gave us greater presence in the midwestern states and brought us new customers and new feed products, all benefits we envisaged when we purchased Wayne. The combination of the two organizations created significant operating synergies and led to a 65% increase in sales revenues in our U.S. Feed Operations in fiscal 2001. The overall revenue increase for Ridley Inc. was 43% for the year.

Our Canadian Feed Operations increased sales revenues by 11% and earnings before interest and taxes (EBIT) by 50%, adding significant new customers, selling more to our existing customers and increasing overall plant efficiency and market share.

Ridley Block Operations achieved record-setting income, sales and production levels. Sales and production of low-moisture feed supplement blocks were both up 20%, the fourth consecutive year of tonnage growth, with a corresponding increase in EBIT. Ridley Block Operations leads the industry with a 50% production share in the U.S.

The Hubbard Feeds and Ridley Block Operations production facilities were all registered to the ISO 9001 quality standard in fiscal 2001. Hubbard became the first major full-line feed manufacturer in the U.S. to gain ISO 9001 registration.

Despite these considerable successes, Ridley's overall performance was severely impaired by two major disease outbreaks that hit the United Kingdom, and derailed what had started out to be a strong year for our Cotswold International swine genetics business. First came Classical Swine Fever in August of 2000, followed by an outbreak of the devastating Foot and Mouth Disease throughout Britain in February of 2001. More than three million animals had to be slaughtered, at an estimated cost of more than \$8 billion.

Although the disease infected none of the operations owned by Cotswold, the British government responded to the FMD outbreak by restricting movement of farm animals. Cotswold's business was brought to a virtual standstill by the restrictions, which continued through to our fiscal year end.

These two diseases had an overwhelmingly negative impact on our financial results. Cotswold, which at the beginning of the year appeared to be on track to significantly improve on last year's performance, ended the year with losses before interest and income taxes of \$6.9 million, compared with \$5.6 million in fiscal 2000.

The third consecutive year of Cotswold losses, combined with continuing uncertainty about when movement restrictions will be lifted, and exports will be allowed to resume, led us to conclude that a restructuring of Cotswold's operations in the U.K. and Europe was essential. Ridley decided to write off the remaining goodwill associated with the acquisition of Cotswold U.K., of approximately \$10.5 million, and \$1.5 million in restructuring costs. We expect that the restructuring will allow the U.K. and European operations to be modestly profitable in the upcoming year.

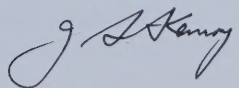
For fiscal 2001, Ridley's net income was \$4.0 million compared with \$6.4 million in the previous year. However, the fiscal 2000 net income included several non-recurring items that netted out to an after-tax gain of \$2.8 million.

At the end of June, R. G. (Bob) Seldon announced his resignation from the Board of Directors of Ridley Inc., as well as that of Ridley Corporation Limited, in order to pursue a number of new projects that will require a major portion of his time. We wish to recognize Bob for his commitment and the important role he played in helping to establish Ridley as one of North America's leading livestock feed manufacturers. We wish him well in his new endeavors. In August, the Ridley Inc. Board of Directors filled the vacancy created by Mr. Seldon's retirement by appointing Matthew Bickford-Smith, CEO and Managing Director of Ridley Corporation Limited, to the Ridley Inc. Board.

Over the years, Ridley's growth has been accelerated by investments in additional plant capacity, enhanced product quality, new products and services, increased research and development programs, and strategic acquisitions. These investments have helped the company significantly raise its profile, reputation and presence among feed distributors and livestock producers, while expanding its market reach.

Our strategy of investing in our future, and maintaining an absolute focus on the needs of our customers, will continue as we build the size and strength of Ridley Inc. to increase the long-term value of our company to shareholders. We are confident that Ridley Inc. is on track to deliver improved financial results in fiscal 2002 and beyond.

As always, we wish to recognize and thank our employees, whose energy, commitment and dedication to growing our business have made Ridley a success today, and ensure its success tomorrow.



Dr. J.S. Keniry
Chairman

PRESIDENT & CHIEF EXECUTIVE OFFICER'S REPORT]



R.B. Galloway
President & Chief Executive Officer



Integration of Wayne Feeds and Hubbard Feeds was instrumental in Ridley's success. Consolidating production into plants such as this one at Worthington, Minnesota improved capacity utilization and production expense.

**STRONG FINANCIAL PERFORMANCE
WAS BUILT ON THE SOLID OPERATING
RESULTS WE ACHIEVED IN FISCAL 2001**

Fiscal 2001 was a year of significant progress for Ridley despite continued consolidation in the industry, which heightened competition, and outbreaks of disease in the United Kingdom that curtailed all exports of Cotswold breeding stock as well as shipments within the U.K., and severely impacted results.

Cotswold aside, Ridley delivered outstanding financial performance in fiscal 2001. During the 12 months, we:

- Increased total sales revenue by 43% to \$723 million from \$507 million in fiscal 2000.
- Increased earnings before interest and taxes (EBIT) by 97% to \$39 million from \$20 million in fiscal 2000.
- Increased our earnings before interest, taxes, depreciation and amortization (EBITDA) by 70% to \$50.2 million from \$29.4 million in fiscal 2000.
- Paid down our bank debt by over 20% or \$36 million, bringing our total debt to \$138 million from the \$174 million level in fiscal 2000. This helped to mitigate interest expense during the fiscal 2001 period, and in the fourth quarter, reduced interest expense below the comparable fiscal 2000 quarter.

This strong financial performance was built on the solid operating results we achieved in fiscal 2001, as swine prices strengthened and more normal winter weather returned to the U.S. and Canada.



Ridley's U.S. and Canadian feed operations increased both volumes and earnings in fiscal 2001, with total tons shipped increasing by 24%.

Hubbard's beef cattle program was reformulated in fiscal 2001, taking advantage of the latest research and technical information. The new product line enjoyed considerable success this year.

The North American feed industry continued to evolve in fiscal 2001, particularly in the U.S., as consolidation has created more and more large commercial producers with complex animal nutrition needs. Consolidation is bringing a number of changes to the industry. It has reduced the demand for complete feeds, and brought about a greater demand for higher-margin micro-nutrient premixes that large producers blend with their own source of carbohydrates and proteins. This trend has resulted in excess capacity in certain areas of the feed industry.

Ridley has responded to these competitive changes by ensuring it is positioned to provide high value-added products and services to large producers, by consolidating production facilities to improve capacity utilization, and by exercising rigorous cost controls. In the U.S., Ridley's Hubbard Feeds continues to increase its focus on selling direct to the larger commercial accounts, while at the same time maintaining its more traditional dealer network.

**RIDLEY BLOCK OPERATIONS
REPORTED A 20% INCREASE
IN SALES AND PRODUCTION
TONNAGE IN 2001, THE
FOURTH CONSECUTIVE YEAR
OF TONNAGE INCREASES**

During the year, Ridley capitalized on the improving economic climate for agribusiness and an increased demand for animal nutrition products brought about by the colder winter to substantially grow both volumes and earnings. An important element in our growth was the smooth integration of Wayne Feeds into Hubbard Feeds, which expanded Ridley's presence in the U.S. Midwest, brought us new customers and new feed products, and added to our strength in serving large swine operations.

The Wayne integration helped our U.S. Feed Operations increase sales volumes to all species, with total tons shipped growing by 35% in fiscal 2001. The combined operations also improved bottom line results. Sales revenue increased by 70% and EBIT by 145% as we began to realize the full operating synergies and efficiencies of the Wayne integration and the closure of selected operations, including Wayne's Chicago offices.

During the year, all of Ridley's U.S. plants joined the Canadian operations in becoming ISO 9001 certified.



Ridley has a demonstrated commitment to quality. Its facilities are registered to the ISO 9001 quality standard, as well as the Facility Certification Institute (FCI) in the U.S. and HACCP in Canada.



Continuing investments are made in our facilities to streamline production throughput and improve efficiency. Feed-Rite's new feed mill in Grunthal, Manitoba was completed this year, with 50% greater capacity.

In Canada, Ridley's Canadian Feed Operations rebounded strongly with increased sales volumes and a 50% increase in EBIT. The addition of significant new customers and greater sales to existing customers resulted in an increase in sales volumes of 11%. Sales of hog, poultry and beef feeds increased in fiscal 2001 while sales in other feed categories remained stable.

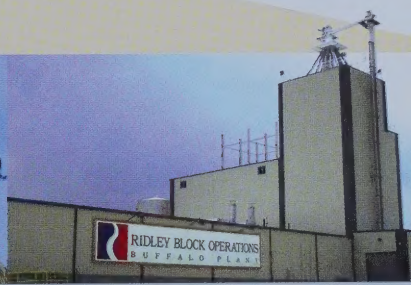
Ridley continued to upgrade its plants in the past year. As part of a program to increase production, efficiency and capacity, the Feed-Rite feed mill in Grunthal, Manitoba was replaced. The new mill was built with 50% greater capacity in order to meet the rapidly growing demand for livestock feeds in south-east Manitoba. A new bulk receiving facility was built at Hubbard's Sioux City, Iowa plant, and the bulk receiving and load-out facilities of the Appleton, Wisconsin plant were expanded. These capital projects will help Ridley streamline production throughput, lower operating costs, and produce a wider range of products.

Ridley's Quality Swine Systems (QSS), which manages a network of contract hog producers in Canada and the north-central United States, benefited from the increase in prices for commercial hogs, producing a strong year-over-year improvement in operating results.

Despite improved results, Ridley has decided to exit the commercial hog production business, believing that the severe impact that fluctuating hog prices have on QSS results presents a risk that greatly outweighs opportunities in commercial hog production.¹ Accordingly, Ridley made the decision to exit the commercial hog production business, and expects to be out of the business in fiscal 2002.

Ridley Block Operations continued its strong growth and financial performance. Ridley leads the low-moisture block market in the U.S. with a 50% production share. The colder winter increased demand for low-moisture blocks and Ridley took advantage of this market environment, adding new customers and selling greater numbers of low-moisture, feed supplement blocks to existing clients.

CRYSTALYX® Brand Supplements are available in a complete family of formulations designed for specific livestock types and pasture conditions. They are impervious to the elements, so there is no wasted supplement.



The Ridley Block Operations plant at Buffalo, Texas is the most modern low-moisture block plant in operation today. Every aspect of production can be monitored and controlled from a single workstation.

RIDLEY LEADS THE LOW-MOISTURE BLOCK MARKET IN THE U.S. WITH A 50% PRODUCTION SHARE

Ridley Block Operations reported a 20% increase in sales and production tonnage in 2001, the fourth consecutive year of tonnage increases, and a corresponding 20% increase in EBIT.

The major disappointment for the year was Ridley's Cotswold operations, one of the world's foremost suppliers of swine genetics. As the year began, we expected strong performance from Cotswold. Early in the year, with strengthening markets for breeding stock, Cotswold leveraged its prominence in the U.K. and Europe, its increased market share, the establishment of a Cotswold USA sales and marketing organization, and the expansion of its Canadian artificial insemination unit to record improved results.

THE INVESTMENTS AND ACQUISITIONS
WE HAVE MADE IN RECENT YEARS PUT
US IN GOOD POSITION TO GROW SALES
VOLUMES AND INCREASE PROFITABILITY
AS WE MOVE FORWARD

Unfortunately, the outbreaks of Classical Swine Fever and Foot and Mouth Disease in the U.K. had a tremendous impact on Cotswold. While none of Cotswold's operations was infected by the diseases, the restrictions on movement of farm animals curtailed Cotswold's sales of breeding stock, and meant the company was able to receive only slaughter value for its pigs. Classical Swine Fever struck between August and December of 2000 and Foot and Mouth Disease hit the U.K. in February of 2001. Together, they had an estimated negative impact of \$3.1 million on Cotswold's results. Overall, the losses before write-offs, interest and income taxes hit \$6.9 million at Cotswold in fiscal 2001 compared with \$5.6 million in fiscal 2000.

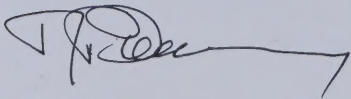
We continue to assess the risks inherent in the swine genetics industry, where cyclical pig prices and diseases such as those Cotswold faced in fiscal 2001 can severely erode financial performance.

FISCAL 2002 OUTLOOK]

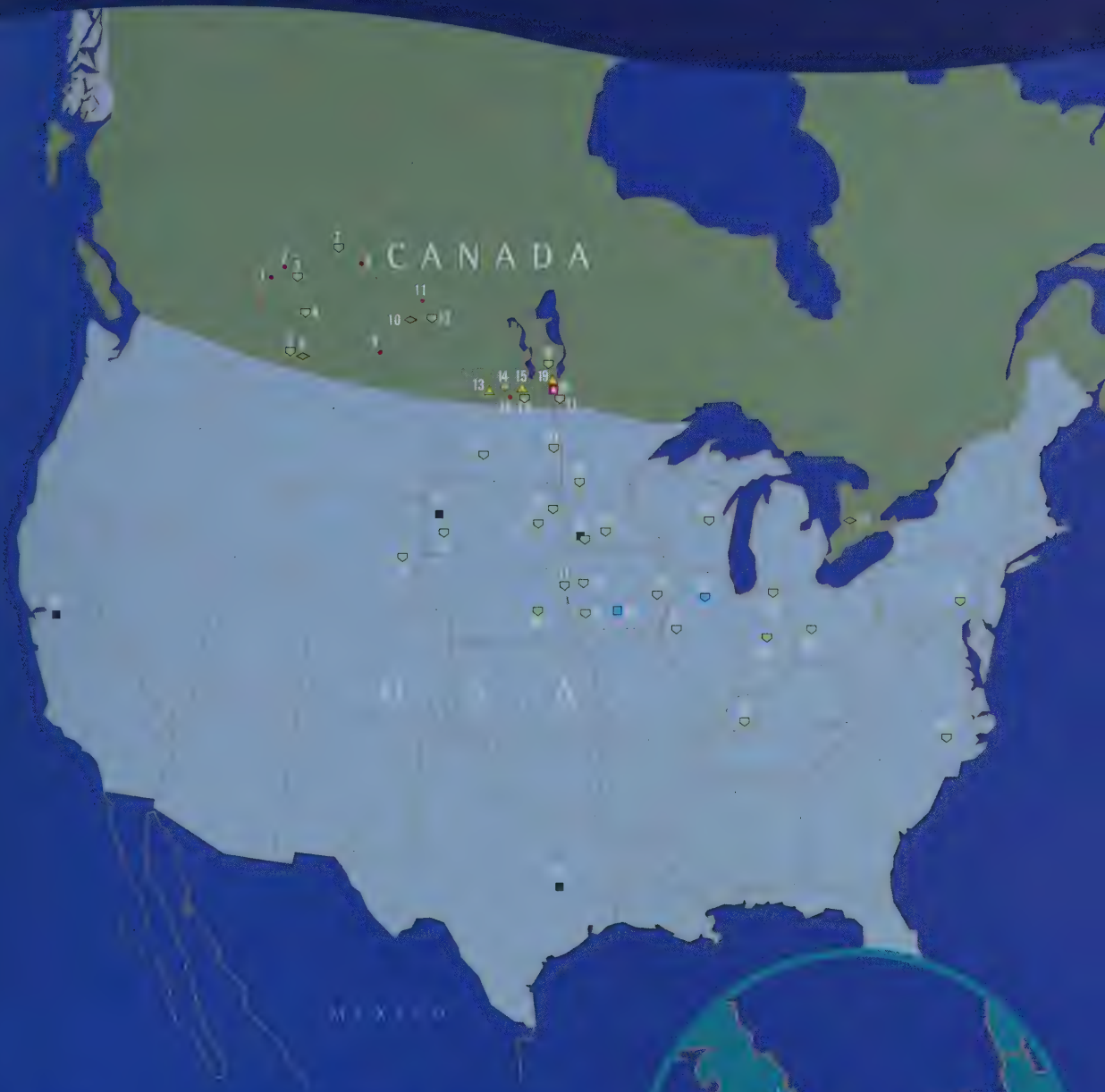
We are excited about Ridley's prospects in fiscal 2002. Despite softening world economies and the lingering effects of Foot and Mouth Disease in the U.K., the outlook for the animal nutrition industry remains positive.

The investments and acquisitions we have made in recent years put us in good position to grow sales volumes and increase profitability as we move forward. Importantly, we now have built the critical mass and capacity to successfully compete in a consolidating, highly competitive industry.

As always, our progress and success have been, and will continue to be, a reflection of the efforts and dedication of our highly skilled employees across all our operations, the counsel and guidance of our Board and the support of our shareholders. I thank them and I look forward to their continued contributions as together we continue to build Ridley Inc.



Robert B. Gallaway
President and Chief Executive Officer



RIDLEY INC. NORTH AMERICAN OPERATIONS |

- | | | |
|----------------------------------|------------------------------|-----------------------------|
| 1. Rocky Mountain House, Alberta | 18. Wabeg, Minnesota | 33. Des Moines, Illinois |
| 2. Sunley, Alberta | 19. Malton, Manitoba | 34. Bothus, Ohio |
| 3. Lacombe, Alberta | 20. Winnipeg, Manitoba | 35. Mitchell, Ontario |
| 4. Linden, Alberta | 21. Grunthal, Manitoba | 36. Stockton, California |
| 5. Fort Macleod, Alberta | 22. Bismarck, North Dakota | 37. Buffalo, Texas |
| 6. Lethbridge, Alberta | 23. Grandin, North Dakota | 38. Columbus, Nebraska |
| 7. St. Paul, Alberta | 24. Whitewood, South Dakota | 39. Atlantic, Iowa |
| 8. Lloydminster, Alberta | 25. Rapid City, South Dakota | 40. Appleton, Wisconsin |
| 9. Swift Current, Saskatchewan | 26. Watertown, South Dakota | 41. Mendota, Illinois |
| 10. Saskatoon, Saskatchewan | 27. Huron, South Dakota | 42. Bushnell, Illinois |
| 11. Prince Albert, Saskatchewan | 28. Alexandria, Minnesota | 43. Gaston, Indiana |
| 12. Humboldt, Saskatchewan | 29. Worthington, Minnesota | 44. Hopkinsville, Kentucky |
| 13. Weston, Manitoba | 30. Mankato, Minnesota | 45. Lancaster, Pennsylvania |
| 14. Brandon, Manitoba | 31. Sioux City, Iowa | 46. Selma, North Carolina |
| 15. Aurore, Manitoba | 32. Storm Lake, Iowa | 47. Wheland, Iowa |
| 16. Wilmar, Manitoba | 33. Iowa City, Iowa | |
| 17. Marmora, Minnesota | 34. Lava, Wyoming | |



RIDLEY INC. EUROPEAN OPERATIONS |

- | | |
|-------------------------------|--------------------------|
| 1. Radwell, Lincolnshire | 6. Finley, Shropshire |
| 2. Clady, Lincolnshire | 7. Edgecote, Oxfordshire |
| 3. Moortown, Lincolnshire | 8. Ryeholme, Wiltshire |
| 4. Barsey, Lincolnshire | 9. Wye, Kent |
| 5. Colsterworth, Lincolnshire | 10. Lings, Germany |

KEY TO TYPES OF FACILITIES

- | | | |
|--|---------------------|--|
| Primary Feed Plants | Macro Premix Plants | Swine Breeding Facilities |
| Vitamin Premix & Feed Additive Blending Facility | Block Plants | Micro Premix, Macro Premix, Primary Feed Plant, Retail Store |
| Retail Store Only | | Cotswold USA |

FISCAL 2001 RESULTS]

Hubbard Feeds, Ridley's U.S. animal nutrition business headquartered in Mankato, Minnesota, enjoyed a successful year, capitalizing on a generally favorable economic climate, the successful integration of the Wayne Feeds business, and the solid foundation for growth that was established in fiscal 2000. Hubbard saw substantial growth in both volume and earnings in fiscal 2001. Sales volume in tons was 35% higher and EBIT increased 145% over fiscal 2000. Sales volume and revenue grew as a result of both the Wayne acquisition and internal growth.

U.S. FEED OPERATIONS]

The Show-Rite® show feed line, for beef, dairy, swine, sheep and rabbits, is comprised of premium show feeds for exhibitors who want their show animals to perform their very best.



S.J. VanRoekel
Vice-President, General Manager
U.S. Feed Operations

The Rapid City plant was named "Most Improved Feed Mill" and was runner up in the 2001 Feed Mill of the Year contest sponsored by the AFIA and FEED MANAGEMENT magazine.

Optisow® premix and concentrate products are a symbol of optimal swine nutrition for the breeding, gestation and lactation stages of highly prolific sows.

ECONOMIC AND MARKET CLIMATE]

Production economics in the meat, milk, and egg sectors served by Hubbard Feeds were mixed, but generally favorable in fiscal 2001:

- Feed commodity prices remained low throughout the year, supporting producer margins and profitability in all sectors.
- A colder winter combined with continuing strong beef production economics increased the demand for beef cattle feeds.
- Pork production economics showed stability throughout the year, with most producers operating above break-even throughout the year.
- Low milk prices throughout most of the year led to consolidation in the dairy sector. Milk prices improved substantially as fiscal 2001 came to a close.
- Over-production in the egg or layer sector resulted in losses among most egg producers.
- The companion animal, or horse, dog, cat and show feeds segment, continues to be largely unaffected by production economics.

In addition, dramatically higher energy costs compounded by colder weather throughout Hubbard's peak volume months led to significant increases in production costs. Regardless of the market conditions, and as a result of both the Wayne acquisition in late fiscal 2000 and good sales activity, Hubbard attained substantial growth in volume and market share in every major sector in fiscal 2001.

WAYNE INTEGRATION] The most significant accomplishment by Hubbard Feeds during the year was the integration of the operations of Wayne Feeds with those of Hubbard. Wayne Feeds was acquired on March 31, 2000. The integration of the two organizations' administration, sales, and production began in the first quarter and was completed in the fourth quarter of fiscal 2001. Final consolidation of the Hubbard and Wayne product lines will be completed during the first quarter of fiscal 2002.

The integration and consolidation of the two businesses generated significant operating synergies. Among the major steps taken to consolidate the businesses were the following:

- The Chicago-based headquarters for Wayne Feeds was closed by September of 2000, and the administrative functions absorbed into Hubbard's Mankato headquarters.
- Three manufacturing plants, including those located in Fremont, Nebraska; Coralville, Iowa; and Janesville, Wisconsin; were closed and production shifted to other Hubbard plants.
- The field management teams and the field sales force were restructured and streamlined.
- All administrative functions, including purchasing, formulation, credit, information services, accounting, etc., at the remaining ten Wayne Feeds plants were converted to Hubbard systems.

The result was a significant rationalization of overhead and administrative, field management, and selling and marketing expenses. The plant consolidations also significantly improved capacity utilization and production expense. Perhaps more importantly, the company took advantage of the integration process to restructure many aspects of its operations and leave Hubbard better able to compete for the future. The many employees of Hubbard Feeds Inc. worked very hard to complete these challenging and time consuming tasks, and are to be congratulated for their efforts.

Hubbard's Worthington, Minnesota dry feed plant was a semi-finalist in the 2001 Feed Mill of the Year contest sponsored by the AFIA and FEED MANAGEMENT magazine.



Steve VanRoekel and Mike Stott, Compliance Manager, celebrate the ISO 9001 registration of Hubbard Feeds. Hubbard is the first major full-line U.S. animal feed manufacturer to be registered.



SIGNIFICANT ACCOMPLISHMENTS

Although activities related to the integration of the Wayne Feeds business dominated the year at Hubbard Feeds, there were other significant accomplishments as well:

ISO 9001 REGISTRATION Hubbard became the first major full-line U.S. animal feed manufacturer to gain ISO 9001 registration. ISO 9001 is an internationally recognized quality management system that addresses all aspects of operations from product design through manufacturing and distribution. Hubbard Feeds is committed to quality in all aspects of its business. In addition, Hubbard has received certification by the Facility Certification Institute (FCI), which certifies feed manufacturers for compliance with laws and regulations regarding the handling of ruminant by-products. The feeding of ruminant by-products to ruminants has been linked to the spread of BSE, or 'mad cow disease'. Hubbard has taken additional steps in that regard by removing all ruminant meat and bone meal from its product lines. It is also now sourcing its fat and blood meal products from certified non-ruminant sources.

As further evidence of Hubbard's quality leadership, its Rapid City, South Dakota feed mill won the title "Most Improved Feed Mill" in the prestigious Feed Mill of the Year contest sponsored by the American Feed Industry Association and *FEED MANAGEMENT* magazine. This is the second consecutive year that a Hubbard mill has received either first or second place in this contest. Hubbard's Worthington, Minnesota mill was also honored as a semi-finalist in the contest.

Congratulations to the management and staff of these facilities for the outstanding achievements, and to the entire Hubbard organization for achieving the ISO 9001 registration.

CAPITAL PROJECTS Hubbard undertook two major capital expansion projects, at the Sioux City, Iowa and Appleton, Wisconsin facilities. The Sioux City project included the addition of a new bulk receiving facility, while the Appleton plant project included expanded bulk receiving and load-out capabilities. These projects were implemented to increase production capacity, improve operating efficiencies, and to help absorb volume from the plant shutdowns at Fremont, Coralville, and Janesville.

FARMWAY JOINT VENTURE Hubbard also entered into an exciting new joint venture with Farmway Co-op Inc. located in Beloit, Kansas. Under the agreement, Farmway manufactures and Hubbard markets Hubbard branded feeds to Farmway's retail operations and to other Hubbard dealers throughout Kansas.

In announcing the joint venture, Byron Ulery, President and CEO of Farmway Co-op Inc. said, "This is a tremendous opportunity for Farmway Co-op to use the assets we have to grow our feed business and better serve existing and potential customers. Hubbard's marketing capabilities and a deep, strong product line are essential to the kind of success we want for Farmway." Steve VanRoekel, Vice-President and General Manager of Hubbard, said the joint venture "is a good marriage of strengths. Farmway brings a solid reputation for quality feed milling, a modern manufacturing facility, a strong customer base, and an attractive market for future growth."

The Farmway joint venture is expected to have a very positive impact on Hubbard earnings and growth in the years ahead.

RIDLEY FEED INGREDIENTS The acquisition of Wayne Feeds brought to Hubbard a unique manufacturing facility located in Mendota, Illinois. The Mendota facility is a highly specialized plant with liquid blending and drying, form fill and seal, premix blending, and medicated blending capabilities. It holds more than 30 NADAs (new animal drug applications) which permits it to manufacture a variety of products for several major raw material suppliers.

Ridley Feed Ingredients in Mendota, Illinois provides micro-premixes and additives to Hubbard feed mills, commercial livestock producers and other feed companies, and custom manufacturing services to animal health companies.



Mike Jordan of Farmway Co-op signs the new Hubbard/Farmway joint venture agreement. Standing, left to right, Steve VanRoekel of Hubbard, Byron Ulery and David Frederking of Farmway, and Mark Nelson of Hubbard.

In addition to custom manufacturing, the Mendota plant markets a wide variety of products used in further manufacturing by regional manufacturers, Hubbard Feeds, other Ridley plants world-wide, and large integrated meat, milk, and egg producers.

The Mendota operation has also carved out a unique niche in the egg production segment. A team of four poultry specialists and a PhD poultry nutritionist provide premixes and/or nutrition and management consulting services to a significant portion of the U.S. layer hen market.

During fiscal 2001, the Mendota operation began doing business as 'Ridley Feed Ingredients'. This is the first of several steps that will reposition the Mendota operation for growth in the feed ingredient market.

COMPETITIVE ENVIRONMENT

Consolidation among the producers of meat, milk, and eggs has been an ongoing trend in the U.S. for decades, and continued in fiscal 2001. Over the last decade or more, this trend has forced the feed and nutrition industry to make significant changes to adapt to the changing needs of producers. In recent years, the trend led to rapid consolidation among major competitors of Hubbard Feeds in the U.S., and this past year was no exception.

Among the most notable changes in the competitive landscape were the Provimi acquisition of Akey Inc.; the Land O' Lakes Inc. merger with Farmland Industries Inc.; Archer-Daniels-Midland Company's acquisition of Consolidated Nutrition, L.C.; Cargill, Incorporated's acquisition of Agri-Brands International, Inc.; and the acquisition of Purina Mills Inc. by Land O' Lakes Inc.

Like the acquisition of Wayne Feeds by Hubbard, these mergers and acquisitions were driven by a need to accomplish several goals:

- Reduce excess manufacturing capacity
- Broaden dealer and distribution networks
- Afford more aggressive investment in new technology
- Increase raw material purchasing power
- Reduce or rationalize overhead expenses
- Facilitate continued modernization of feed mills

Hubbard is well positioned to compete in this new environment. With the Wayne acquisition, the company has enough critical mass to enjoy the purchasing power and other operating synergies to compete with the industry's major companies. It has improved capacity utilization, and continues to invest in the automation and maintenance of its manufacturing plants. Overhead expenses have been reduced, and the Hubbard dealer network now includes more than 1,300 independent dealers.

Perhaps most importantly, Hubbard maintained its commitment to being a leader in animal nutrition technology. This year, Hubbard added to a staff of PhDs, DVMs and MS in various areas of meat, milk, and egg production, and companion animal expertise that numbers over 30 people. Please refer to the Research & Development section of this annual report for more information on Hubbard's research and development programs.

2002 AND BEYOND] With the integration of the Wayne Feeds business now nearly complete, and with a company that is even better positioned to compete in the future, Hubbard recently unveiled its strategy for fiscal 2002 and the years ahead. The strategy is to:

- Focus its resources on achieving aggressive growth among the leading customers in seven customer segments, including:
 - 1) swine, 2) dairy, 3) beef and low-moisture block, 4) dealer, 5) egg, 6) feed ingredient and animal health, and 7) companion animal.
- Allocate an appropriate amount of resources to maintain volume and returns among traditional market segments.
- Continue to shift asset structures to adapt to the changing marketplace and customer base.



Consolidation in the U.S. dairy sector continued in 2001. Hubbard Dairy Services capitalized on the increased number of large dairy herds, winning significant new customers and helping existing customers expand.

The Sioux City, Iowa plant responded to growing demand by adding a new mixing system in 2001, increasing capacity and efficiency, and improving customer service.

In fiscal 2002, the company will focus on:

- Completing the consolidation of the Wayne and Hubbard product lines, and refocusing on improving plant operating efficiencies.
- Shifting the attention of the organization away from the Wayne and Hubbard integration process and back to new sales growth.
- Making significant improvements in several key operating systems including the sales database, pricing and formulation, and sales compensation systems.

On a longer-term basis, Hubbard will continue to focus on:

- Seeking acquisitions that provide the opportunity to rationalize capacity and operating expense, and/or expand in growth markets and segments.
- Improving capacity utilization, and reducing production, overhead, and other operating expenses.
- Creating sustainability by adding value through maintaining low costs, developing proprietary technology, and maintaining productive customer relationships.

Fiscal 2001 was a year of accomplishments and great change in Hubbard Feeds. The company completed the integration of the Wayne Feeds operations, restructured many operating areas, lowered costs in many others, expanded its trade area into Kansas, achieved ISO 9001 registration, repositioned the Mendota business unit as Ridley Feed Ingredients, and established a new plan for the future. Each of these steps as well as others leave Hubbard Feeds well positioned to compete for the future.

With favorable production economics and clear focus on the strategy and plan, Hubbard is poised once again for excellent results in fiscal 2002.

RIDLEY INC.'S CANADIAN FEED OPERATIONS REBOUNDED STRONGLY IN FISCAL 2001, TAKING ADVANTAGE OF ITS COMPETITIVE STRENGTHS TO RECORD INCREASED VOLUMES, HIGHER MARGINS AND A 50% INCREASE IN EARNINGS

CANADIAN FEED OPERATIONS]

Feed-Rite operates retail farm supply stores at each of its feed manufacturing locations, as well as seven standalone stores.



C.E. Martin
Vice-President, General Manager
Canadian Feed Operations

The Xtra topdress program (centre of photo) was developed by Feed-Rite's technical services team to target the increased nutrient demands of reproducing pigs at critical points in the reproductive cycle.

FISCAL 2001 RESULTS]

Ridley's Canadian Operations manufactures and markets feed primarily under the Feed-Rite brand, but also under the Quality Feeds and Macleod Feeds brands in Alberta, under Farmix in Ontario, and Daco Western Canada in Alberta and Manitoba. Ridley's Canadian Operations are comprised of 15 feed manufacturing facilities, 7 retail stores and the Quality Swine Systems commercial swine production unit.

Ridley Inc.'s Canadian Feed Operations rebounded strongly in fiscal 2001, taking advantage of its competitive strengths to record increased volumes, higher margins and a 50% increase in earnings. Earnings before interest and taxes (EBIT) were \$11.4 million on revenues of \$185.3 million in 2001, compared with fiscal 2000's EBIT of \$7.6 million on revenues of \$167.6 million.

Overall volume growth of 11% came from an increase in market share through the addition of significant new customers, and greater sales to existing customers. The larger sales volumes achieved by the Canadian Operations improved plant capacity utilization, helping to increase plant efficiency, a key factor in offsetting the significantly higher energy costs experienced over the past year. Fiscal 2001 also saw a rise in prices for feed ingredients, leading to an increase in feed prices for livestock producers. As one of North America's largest purchasers of feed ingredients, Ridley is able to leverage its purchasing power and buy feed ingredients at highly competitive prices, to the advantage of its customers.

Hog feed sales volumes increased by 13% in fiscal 2001, reflecting improved economics for hog production generally, and a rapid expansion of hog production in Manitoba and Saskatchewan. Feed-Rite has been successful in capturing a significant portion of this increasing market. Poultry feed sales volume increased by 8%, with the improvement coming primarily in Saskatchewan and the northern United States. The return of more normal winter weather on the prairies, a dry spring in Alberta and development of a new beef feed program helped Feed-Rite to generate a modest increase in beef feed sales. Sales volumes for other feed categories changed only marginally.

In addition to its livestock feed business, Ridley's Canadian Operations also encompass Quality Swine Systems (QSS), which is involved in commercial swine production. In order to minimize the company's capital investment, QSS has, over a period of several years, established a network of swine producers operating under contract to QSS, in which the contract producers supply the facilities, labor, and management. QSS owns the livestock and supplies the feed, medications and veterinary services. During fiscal 2001, QSS continued to report operating results that were significantly improved over the previous two years, thanks primarily to much more stable prices for market hogs.

In spite of the improvement in the results of QSS, Ridley determined during the year that the risks inherent with the swings in supply and pricing in the hog industry created unacceptable volatility in financial performance. Accordingly, Ridley made the decision to exit the commercial swine production business, and expects to be substantially out of the business by June 2002.



Feed-Rite's fabrication shop is capable of designing and manufacturing most of the components required for expansion or maintenance of Feed-Rite's facilities, producing over 60% of the new Grunthal plant in-house.

ECONOMIC AND MARKET CLIMATE]

The strong results of Ridley's Canadian Operations came against a backdrop of continued livestock industry consolidation. Nowhere is the consolidation more evident than in the hog industry. In Canada, the hog production industry is rapidly transitioning from a large number of small-scale operators, to a production model that features a smaller number of large-scale commercial producers. The production systems that are gaining prevalence are usually owned by a consortium of investors, in order to accumulate the required investment capital, or are aligned with other players in a vertically integrated chain of pork production.

Consolidation has impacted the industry in several ways. First, many of these operators have established close relationships with feed manufacturers who have been instrumental in helping them transition to larger production units. Second, as livestock producers increase in size and their industry becomes increasingly competitive, they demand superior feed conversion results and more advanced feed products. And third, some of these larger livestock and poultry producers have integrated a feed production facility into their operations for their own use.

This is bringing a number of changes to the industry. These conditions create a highly competitive environment, with feed manufacturers striving to maintain or increase their market share in a market featuring a smaller number of customers, but where each customer is of increasing importance. Ridley successfully competes in this environment by combining the latest research and development in animal sciences with advanced manufacturing processes and

modern practices in livestock management to produce high-quality animal feed that meets the increasingly sophisticated demands of these larger livestock producers. Ridley's focus on customer service and its ability to provide science-based nutrition programs for livestock producers that are both effective and cost-efficient have allowed it to retain its leadership position.

A developing trend for large commercial swine producers to build their own feed mills will change the dynamics of the Canadian feed industry. Although this trend is still in its infancy, Ridley has a demonstrated capability to respond to such a development and is, as a result, in an enviable position compared to other feed manufacturers. Its U.S. Feed Operations have had lengthy experience working in such an environment. Ridley's large team of nutritionists and species specialists will continue to be involved in providing such customers with a range of services, including advice on nutrition, feeding equipment and animal husbandry. Feed-Rite has the capacity and the technical expertise to provide such producers with the micro-nutrient premixes required in a sophisticated nutritional program. This developing trend will, over time, lead to reduced demand for complete feeds, but Feed-Rite is well-placed to substitute the complete feed sales volume with a revenue stream based on a broader package of value-added services.

Don St. George, Bob Gallaway, Roelof Eising, Werner Braun and Jim Linaker prepare to cut the ribbon at the Grand Re-opening of the Grunthal, Manitoba feed mill.



The new Grunthal feed mill serves southeastern Manitoba and northern Minnesota. Its expanded capacity enables it to meet the rapidly growing demand for livestock feed in the area.



SECURING OUR FUTURE Canadian agri-business continues to evolve, responding to a marketplace that demands the highest quality products at competitive prices. Progressive livestock producers recognize that they are operating in a global environment, and are leading the movement to increasingly sophisticated and highly cost-effective feeds that reflect the latest research and development into animal nutrition. Remaining at the forefront in this industry requires modern and efficient production facilities capable of meeting the increasingly rigorous demands of the livestock industry. In fiscal 2001, Feed-Rite continued its commitment to combine industry-leading research and development with a program of continually upgrading its personnel and facilities to improve productivity, customer service, quality and efficiency.

As part of this program, Feed-Rite replaced its feed mill in Grunthal, Manitoba during fiscal 2001. Grunthal, which serves livestock feed markets in southeastern Manitoba and northern Minnesota has been experiencing increasing sales volumes and opportunities for additional growth that the existing plant could not accommodate. As part of a facilities upgrade, the existing Grunthal mill was torn down and a new mill with a 50% larger annual capacity was built on the site. The new Grunthal mill gives Feed-Rite the ability to meet rapidly growing demand for livestock feed — particularly in hogs and poultry — while streamlining production throughput, lowering operating costs, and enhancing the company's ability to produce a wider range of high-quality feed products. This major project began in fiscal 2000 and was concluded with a grand re-opening and ribbon cutting ceremony on April 3, 2001.

Significant upgrades were completed at other Feed-Rite mills as well, particularly at Manitou, Manitoba and in Linden and Lacombe, Alberta, with a view to improving the facilities' flexibility, productivity and responsiveness to customer requirements.

Feed-Rite's technical services staff work continually on developing improved nutrition programs to optimally balance ingredient costs with the nutrient needs of each animal species at the different phases of its growth cycle. New products are formulated in consultation with university researchers, veterinarians, and customers' in-house nutritionists, and their effectiveness is tested through extensive field trials. Please refer to the Research and Development section of this annual report for more details.

The continuing success of Ridley comes from its people. In Canada, Feed-Rite is committed to ongoing training for staff in all areas of the organization. In the professional development of Feed-Rite's staff, a strong focus has been placed on leadership, coaching skills and performance management. Ongoing training in sales, customer service, livestock and poultry management and feed manufacturing practices will ensure that Feed-Rite's customers receive the highest quality products and services.

Feed-Rite's commitment to customer service is also evidenced by its industry-leading pursuit of quality. All of Feed-Rite's facilities have received the ISO 9001 quality registration. ISO 9001 is an internationally recognized system for detecting and preventing any non-conforming product during production and distribution to the customer. Feed-Rite was the first company in the North

Feed-Rite's micro-premix facility in Winnipeg is capable of supplying micro-nutrient premixes to Feed-Rite's feed mills, as well as to large commercial livestock producers.



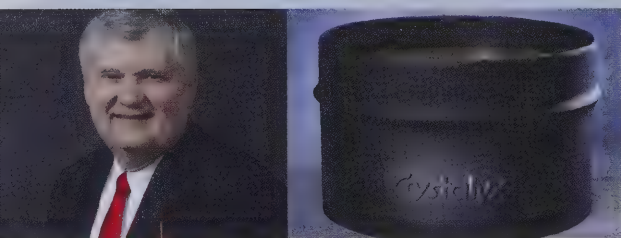
David Uhrich of Deloitte & Touche LLP Quality Registrar Inc. (third from left) presents the HACCP certificate for Macleod Feed Mill to (from left) John Drost, Calvin Martin and Michelle Dyck.

American feed industry to achieve this recognition. Feed-Rite is also in the process of implementing HACCP (Hazard Analysis and Critical Control Points) in all of its facilities. HACCP is a systematic approach to identifying and preventing contamination of food and food products during the manufacturing process. HACCP's initial focus was on the production of food for human consumption, but it has since been extended to companies—such as the livestock feed industry—that directly or indirectly provide inputs to food processors.

OUTLOOK FOR 2002] The focus that Feed-Rite has, in the past several years, placed on quality, customer service and efficiency was rewarded in fiscal 2001 by substantially improved operating results. Feed-Rite will continue to emphasize these core strengths and will be aggressive in pursuing additional market share in fiscal 2002. The economics of livestock production were stable in fiscal 2001, and should continue to be favorable in 2002. The process of consolidation in the livestock industry should prove beneficial to Feed-Rite as it will be able to leverage the purchasing power advantages and overall R&D capabilities of the Ridley group of companies to meet the requirements of large commercial livestock producers. Growth in fiscal 2002 will be built on the solid foundation of investments Feed-Rite has made to increase production capacity and efficiency, enhance the skills of its personnel, and to assure industry-leading product quality and safety.

Ridley Block Operations is committed to level one FCI (Facility Certification Institute) manufacturing. There are no meat or bone products in its ingredients, and there haven't been since 1997.

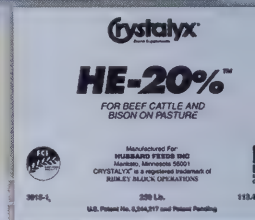
RIDLEY BLOCK OPERATIONS]



R.E. Frost
Vice-President, General Manager
Ridley Block Operations



Ridley Block Operations has four production facilities strategically located within 500 miles of over 75% of the beef cows in the U.S. RBO has a 50% share of low-moisture blocks produced in the U.S.



Ridley Block Operations (RBO) continued to lead the low-moisture block market during the past fiscal year, with 50% of low-moisture block production in the U.S. This leadership resulted in record-setting income and production levels, and was sustained through a focused commitment to excellence in customer and dealer service, along with strong research and development activity.

There was a significant increase in the number of new customers who began using Ridley low-moisture blocks, while existing customers increased their usage of the products as well. In addition, new applications were found and implemented for RBO products. The outstanding combination of the many talented people who comprise Ridley Block Operations, and the dedicated people who work diligently in the field distributing its products, once again proved to be an excellent recipe for success in fiscal 2001.

LEADING THE MARKET]

While Ridley Block Operations never tires of record-setting years, we never take them for granted either. However, we do like to celebrate them, and this past year was no exception, as RBO established new records in several key areas.

RESEARCH HAS HELPED CREATE THE

MARKET ADVANTAGE RIDLEY BLOCK

OPERATIONS' PRODUCTS ENJOY

Brand Supplements, RITE-LIX™ in Canada and the private labels we work with across North America, led the growth in the market for low-moisture blocks. The demand was met by coordinating production efforts at all four Ridley Block Operations plants located in Worthington, Minnesota; Whitewood, South Dakota; Stockton, California; and Buffalo, Texas. Three of these plants had a record tonnage year. Through coordinated efforts at these plants, the increased demand was successfully met with little or no waiting for product.

For the fourth consecutive year, Ridley Block Operations not only met, but exceeded, its income target, with earnings before interest and taxes (EBIT) increasing by 20% in fiscal 2001. Three of the plants also reached all-time records in income this year. A key part of the success of the year was the specific targeted and tailor-made marketing campaigns for our customers that created a strong product awareness and increased demand in the marketplace.

In particular, a new record was established in sales and production tonnage of low-moisture feed supplement blocks, with a 20% increase in fiscal 2001 over the prior year. This represents the fourth consecutive year of increases in tonnage. Ridley Block Operations products, including the well-known CRYSTALYX®



Research shows that CRYSTALYX® Brand Supplements improve the use of forage areas, drawing cattle away from the water source and reducing erosion of stream banks (see below).

Our marketing programs, depending on the customer, were comprised of a number of components, including a significant emphasis on feeder meetings, increased emphasis on early season stock-up programs, targeted account calls, new CD-ROM and Power Point presentations, signage, new literature and point-of-purchase items, print advertising campaigns and targeted radio and television advertising programs. RBO also heightened its presence at special events such as livestock shows and conventions (veterinarian, dairy and beef shows), and increased availability and usage of wearable and specialty items.

STRETCHING THE LEAD Research has helped create the market advantage Ridley Block Operations' products enjoy. New research projects, including work on new applications, will continue to contribute to building the lead. Global Positioning Satellite (GPS) studies continue to reinforce the effectiveness of our low-moisture block products as range management tools. Now, Ridley Block Operations is part of a new four-year \$1 million study, funded through the USDA, that will continue to evaluate range management issues.

U.S. PATENT ISSUED JUNE 12, 2001

Research work in the range management area has been ongoing for several years. This work led to the issuance of Patent #6244217 – *A method of expanding grazing range and an animal feed supplement for use therein.* We also anticipate other possible patents being issued as a result of the low-moisture block research we have been conducting.

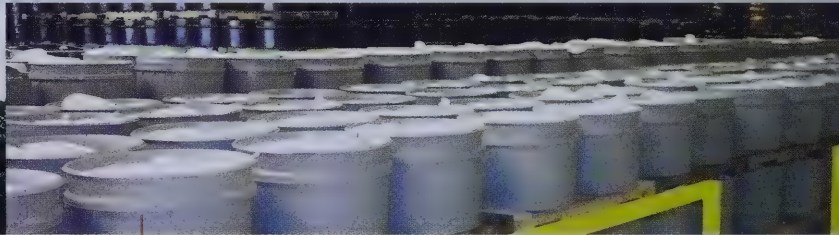
RESPONDING TO CHANGE]

Ridley Block Operations established tonnage and income records in fiscal 2001 in the face of increased ingredient costs, rising energy prices and the negative media coverage and public perception surrounding Mad Cow Disease (BSE) and Foot and Mouth Disease (FMD).

The BSE and FMD calamities presented major public relations challenges for everyone in the industry. We met these challenges head on by continuing to emphasize our ingredient profile – one that contains no meat or bone products, and hasn't since June 1997. This trend was continued in July of this year, when Ridley Block Operations made the change from choice white grease, as a fat source, to hydrolyzed vegetable oil.

The dedication and innovativeness of RBO employees made the difference in overcoming the economic hurdles of increased operational costs. By working "harder and smarter", our employees were able to initiate certain changes and improvements that increased efficiency in all plants and added capacity at our new plant in Buffalo, Texas.

By working more closely with customers and adapting to their individual needs – in certain instances, by using a variety of containers developed for specific customer needs – our private label business was enhanced substantially in fiscal 2001.



Ridley Block Operations produces a growing quantity of low-moisture blocks under private label agreements with other feed companies. The blocks are available in a variety of container sizes.

FOCUS ON QUALITY]

RBO continued its ongoing focus on quality and consistency during the past fiscal year. With ISO 9001 designation at its four production plants and a commitment to level one FCI manufacturing, Ridley Block Operations is well positioned to continue ensuring that it is recognized as the industry leader in quality control.

**MARKET PENETRATION WILL CONTINUE TO
GROW AS WE MAKE MORE PRODUCERS AWARE
THAT RIDLEY BLOCK OPERATIONS PROVIDES
THE BEST QUALITY LOW-MOISTURE BLOCKS
ON TODAY'S MARKET**

FUTURE OUTLOOK

Ridley Block Operations firmly believes that there are still many opportunities to introduce more producers to Ridley's low-moisture blocks. As such, we fully intend to grow our business and meet the demands of the marketplace.

Market penetration will continue to grow as we make more producers aware that Ridley Block Operations provides the best quality low-moisture blocks on today's market. Sales support for dealers and customers will also continue to be a cornerstone of maintaining and growing our leadership position. RBO is committed to helping producers be more efficient and productive, and to meeting our customers' demands in a timely manner.

The coming year will bring challenges and opportunities to Ridley Block Operations. It is anticipated that both cane and beet molasses supplies will be tight throughout the world. This will mean higher prices for molasses, which will have an impact on low-moisture block pricing. However, price increases on our products, when evaluated on a cost-per-head-per-day basis, should have minimal impact on usage if we properly educate our customers and their sales organizations. Ensuring that the sales organization and the producer understand this is very important, and will require continued emphasis on education of our customers in the upcoming year.

The hygroscopic nature of CRYSTALYX® low-moisture blocks causes a thin layer on the surface to soften, and the licking action of the animals ensures a limited and consistent intake.



Daniel Waters can monitor and control the various sizes and types of packaging for low-moisture blocks through an automated packaging control panel.

Being an industry leader is a goal most companies aspire to attain. At Ridley Block Operations, this status has been achieved thanks in no small part to the efforts of the entire Ridley Block Operations organization. Capital project improvements, aimed at increasing efficiency, along with the continuation of our aggressive and targeted marketing campaign, have been important to our success. Continued support and focus on sales and production areas, and research into new product development and existing product effectiveness, will help ensure our continued success.

Ridley Block Operations is committed not just to maintaining its leading market position, but stretching it even further. As RBO grows, we fully intend on "bringing our dealers and customers along for the ride", because if they succeed, we succeed. This philosophy is at the heart of the very organization and is what continually drives RBO to even loftier heights.

COTSWOLD HAS OPERATING UNITS IN CANADA, THE UNITED STATES, THE UNITED KINGDOM AND GERMANY, AND GLOBAL EXPORT SALES TO MORE THAN 40 COUNTRIES.

COTSWOLD OPERATIONS]

Cotswold's 801X parent gilts combine maximum genetic improvement for litter size and growth with reliability and ease of management.



J.S. McKee
Vice-President, General Manager
Cotswold Operations

Ridley's combination of the best geneticists, feed nutritionists and veterinary technology helps swine producers to maximize the genetic potential of their herds, turning genetic potential into superior performance.

OVERVIEW]

Ridley's swine breeding and genetics business operates under the name of Cotswold International. Cotswold has operating units in Canada, the United States, the United Kingdom and Germany, and global export sales to more than 40 countries.

Cotswold entered fiscal 2001 with optimism. Breeding stock sales had rebounded in 2000 after operating in extremely difficult and challenging market conditions for more than two years. In 1998 and 1999, commercial pig producers faced weak economic conditions and reported heavy losses, causing them to extend the replacement cycle of their breeding stock or to leave the swine industry altogether. An aggressive sales and marketing campaign in fiscal 2000 succeeded in winning Cotswold several new, large-scale customers and increasing market share, although margins were slim. Prices for commercial market pigs were improving steadily, renewing the confidence of the remaining producers, increasing demand for new breeding stock and providing attractive growth opportunities for Cotswold.

BATTLING DISEASE] Fiscal 2001 started off with promising results, as prices were firming up and margins were increasing, but two major disease outbreaks in the U.K. presented a significant challenge for the balance of the year. Classical Swine Fever (CSF) and Foot and Mouth Disease (FMD) virtually shut down export sales as well as shipments within the U.K.

Cotswold U.K. was faced with:

- An outbreak of Classical Swine Fever, or hog cholera, that hit in early August and halted U.K. domestic sales for the balance of calendar year 2000 and export sales from the U.K. for the rest of fiscal 2001. This had a \$1.5 million negative impact on Cotswold's results.
- Foot and Mouth Disease, which struck Great Britain in late February, again putting a stop to sales. By fiscal year end, the movement of animals within the U.K. continues to be tightly regulated, with exports still being prohibited. The cost of FMD to Cotswold in fiscal 2001 was \$1.6 million.



Bob Gallaway, CEO, speaks to Cotswold's marketing and support teams about the numerous opportunities, alliances and growth strategies available to Cotswold.

FMD also affected the planned transfer of genetics from the United Kingdom to North America and Europe, slowing down the genetic improvement programs in these areas. Cotswold U.K. was producing weanling gilts for Germany to raise in 2001, but was unable to ship as a result of the restrictions in place with FMD. Cotswold's plans to transfer the Meishan cross breed swine to Canada for further breeding development were also halted because of FMD, and the North American genetics improvement program has had to carry on independent of any further genetics contributions from Europe.

The combined effects of the disease outbreaks in the U.K., and increased overhead and sales costs in North America to position Cotswold for future growth, resulted in a loss before write-offs, interest and income taxes of \$6.9 million in fiscal 2001.

RESTRUCTURING IN EUROPE]

Cotswold's European operating divisions have undergone significant restructuring to reduce risk as well as operating costs, and to increase efficiency. A strategic plan was implemented to reduce dependence on the U.K. to provide breeding stock to export customers. Third party owned nucleus and multiplication sites are being established within several European markets. As Cotswold moves toward having pig populations under selection in all key markets, the nucleus and multiplication facilities in Great Britain can be downsized, reducing overhead costs, eliminating the transportation and insurance cost to ship the product to export markets, as well as reducing the risk of having markets closed to us because of disease concerns.

Another aspect of the restructuring involves providing larger producers with grandparent stock, with which they then can produce their own parent gilts. Rather than receiving income from shipments of parent gilts, Cotswold receives royalty payments under a longer term agreement from these producers. The advantage to Cotswold of the new operating model is that we are less reliant on actual ownership of live animals and revenues based on shipments of breeding stock. In the future there will be a larger proportion of revenues from royalties paid by third party producers, and from semen shipments (for artificial insemination), thus reducing the risk and volatility of our revenue stream.

Selection of all Cotswold genetic lines involves an intensive performance testing procedure, including growth rate and real-time ultrasound fat-depth measurements.



Cotswold's rigorous biosecurity measures provide assurance to progressive producers that they are receiving breeding stock with a superior health status.

As operations in the U.K. are being downsized, Cotswold U.K. has reduced staff in nearly every department, particularly in its export operations, and overhead costs have been cut correspondingly.

During fiscal 2001, Cotswold Germany recruited a new Sales Manager and upgraded its sales force to improve market presence and profile. A third party nucleus and multiplication unit was added to reduce dependence on the U.K., which has enabled Cotswold Germany to target larger producers whose breeding stock purchases tend to be more regular and secure.

Cotswold also added commission agents for the Spanish and Italian markets to capitalize on the strength of the swine production in those regions.

IN ORDER TO IMPROVE COORDINATION OF OPERATIONS, THE U.S. AND CANADIAN OPERATIONS WILL BE COMBINED INTO COTSWOLD AMERICAS, AND THE HEAD OFFICE WILL BE RELOCATED TO MANKATO, MINNESOTA.

RESTRUCTURING IN NORTH AMERICA

There were significant changes in Cotswold's North American business as well in fiscal 2001, laying the foundation for substantial growth of the business in the U.S. and Canadian markets.

The interim transfer from the U.K. to North America of Dr. John Webb significantly assisted Cotswold's objective of establishing a separate North American genetics program. Dr. Webb, Cotswold's Director of Science and Genetics, is a world-renowned swine geneticist. He will help to develop the genetics program in North America, assist customers in the transition to Cotswold genetics, and continue to expand Cotswold's science base. Cotswold also added Dr. John Eggert to its team, as Manager of Science and Genetics Americas, and a Health Services Manager was added as part of Cotswold's commitment not only to genetics, but also to the future health of our herds and our customers' herds.

As part of Cotswold's plan of creating a significant market presence in the U.S., customer service, sales and marketing support positions were created to complement the existing sales team. A new marketing program was introduced, aimed at communicating Cotswold's position as a value-added supplier of premium products. The sales force was increased and the sales initiative was redirected to focus on large producers/systems.

The use of artificial insemination (AI) continues to grow as producers recognize its advantages. Cotswold's AI facility in Manitoba is registered to the ISO 9002 quality standard.

Cotswold introduced two new terminal boar lines, the 925MQ and 950MQ (meat quality). Both lines were developed from genetic lines that excel in meat color score, pH, shear scores and taste.



OUTLOOK FOR FISCAL 2002

Restructuring of the Cotswold organization will continue in fiscal 2002. Cotswold U.K. will continue to scale down operations and establish third party owned nucleus and multiplication herds to reduce dependence on the U.K. It will be refocused specifically on its domestic market and those in western Europe. The European business units will function independently of North America and report to Ridley Corporation in Australia.

Although the U.K. situation is uncertain, with cases of FMD still being reported, current market prices for slaughter pigs are positive for next year and there is pent-up demand for breeding stock in the U.K. When the restructuring is complete the European business units should be poised to produce a modest profit in fiscal 2002.

Cotswold USA and Cotswold Canada will undergo further restructuring in fiscal 2002 to take advantage of the foundation for growth that was developed in North America during fiscal 2001. In order to improve coordination of operations, the U.S. and Canadian operations will be combined into Cotswold Americas, and the head office will be relocated to Mankato, Minnesota. The new office will combine the activities of the Urbandale, Iowa office and most of the functions of the Winnipeg, Manitoba office. The Winnipeg office will continue to have a production and sales function, given its proximity to the Cotswold nucleus populations.

The new organizational structure and combined office will help enhance Cotswold's ability to develop, produce and distribute quality products and enable us to better serve customers across North America. With a favorable climate for hog production and stable market prices, we are well positioned for growth in the North American market. We expect that our streamlined operations will create improved earnings, customer service, market focus and execution.

RESEARCH AND DEVELOPMENT IN 2001] Ridley Inc. is proud to offer customers the most scientifically advanced animal feed products and swine genetics on the market. We invest heavily into research and development to differentiate ourselves from our competitors, and our reputation is built on our ability to offer our customers scientifically formulated products that will help producers achieve high performance in their herds.

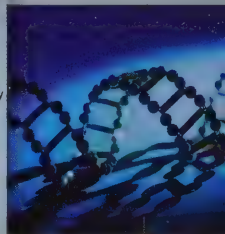
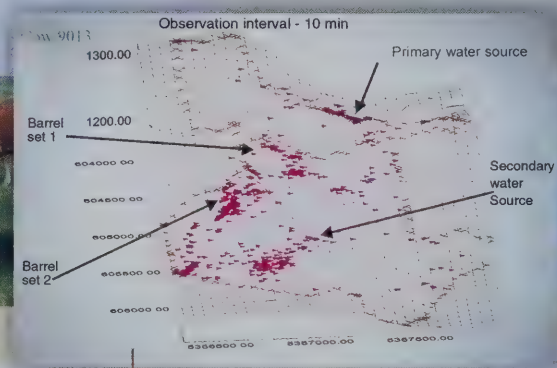
U.S. AND CANADIAN FEED OPERATIONS] One of the cornerstones to Ridley's long-term strategy is to continue to add value through the development of proprietary nutrition technology for meat, milk, and egg production, and for companion animals.

The technical team at Ridley has grown to nearly 40 people with DVM, PhD or MS degrees in a variety of specialties covering all major livestock segments including swine, dairy, beef, poultry, and companion animals. The technical team is responsible for designing and conducting research trials, new product development, training, and providing consulting and support services for customers. We expect to add to this staff during fiscal 2002.

In late fiscal 2000, Ridley opened two swine research 'alliances' with major commercial swine producers. This unique arrangement resulted in the completion of more than 30 research studies involving more than 30,000 head of swine in fiscal 2001. We are exploring the expansion of this successful concept with additional alliances in fiscal 2002.

Research continued in several aspects of dairy and beef production in fiscal 2001, including the development of a proprietary mineral product, and ongoing research through an established alliance with a commercial dairy operation. Ridley is in the early stages of discussions regarding a possible new dairy research alliance in fiscal 2002 that would significantly expand its capabilities in the critical area of 'transition' cow management and general nutrition in commercial dairies.

RESEARCH AND DEVELOPMENT]



Research studies clearly demonstrate that CRYSTALYX® Brand Supplements are an effective range grazing management tool, with benefits for cattlemen as well as the environment.

Cotswold is establishing a separate North American swine genetics program to develop products to meet the specific needs of North American swine producers.

The addition of a poultry PhD nutritionist to the Ridley Feed Ingredients team led to the development of a plan for the further improvement of Ridley's proprietary BAM poultry nutrition management software program, the cornerstone to our success in the egg production segment.

Hubbard's registration in the ISO 9001 program this year marked the achievement of a complete overhaul of its quality program. In addition to addressing traditional areas of product and customer service quality, the new program helps further assure Hubbard Feeds' customers in the increasingly visible area of food safety.

RIDLEY BLOCK OPERATIONS] Ridley has invested more time and resources in research and development than any other block manufacturer. Most of our activities are carried out through research alliances and cooperative research with universities and private livestock operations.

GRAZING RESEARCH University research with low-moisture blocks has demonstrated that strategic block placement within a pasture can improve forage usage in difficult terrain. It will also protect stream banks and riparian areas when low-moisture blocks are used to attract cattle away from these watering areas.

Based on grazing research that has been completed, RBO was issued a patent for *A method of expanding grazing range and an animal feed supplement for use therein*. This will be of significant value to cattlemen who graze public land in the western United States.

Our research results have also led to a multi-state (Montana, California and Oregon) \$1,000,000 USDA funded project entitled "An Evaluation of the Effectiveness of Livestock Distribution Practices in Grazed Watershed". Ridley Block Operations will be the exclusive supplier of low-moisture block supplements for this project.

LOW-MOISTURE BLOCK SUPPLEMENTS VS DRY, LOOSE MINERALS A study to compare the use of low-moisture blocks to dry, loose minerals was conducted from September through December of 2000 in pastures of 630 and 820 acres, with the research being completed in 2001. Global Positioning Satellite technology was used to monitor grazing activity and beef cow location.

Results of the study showed that more cows visited the low-moisture block supplement than the loose mineral supplement (74% versus 55%, respectively). On average, cows visited the CRYSTALYX® Brand Supplements blocks every other day. By comparison, cows offered loose mineral visited the mineral feeders only once in every four days. Cows also spent 400% more time near low-moisture blocks, compared to cows near dry mineral feeders.

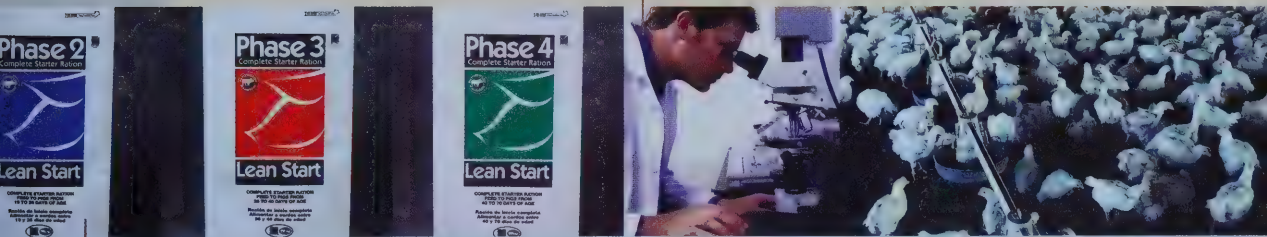
The study results demonstrated the attractiveness of low-moisture blocks even compared to water. Cows spent more time within 200 to 600 yards of the low-moisture blocks than they did within similar distances to water. This is a valuable environmental tool for cattlemen who graze public lands, which can account for up to 264 million acres in the western United States.

CRYSTALYX® BRAND SUPPLEMENTS Ridley Block Operations implemented significant changes in the CRYSTALYX® low-moisture block product line at the end of fiscal 2001. These changes were made due to a combination of factors, including: food safety concerns in Europe and their effects in North America, recent university trace mineral and vitamin fortification research, summarization of numerous field studies, and the need for clarifying product use statements.

Ridley Block Operations replaced choice white grease animal fat with hydrolyzed vegetable oil in manufacturing all low-moisture block product lines. Hydrolyzed feather meal is the only animal protein ingredient used at Ridley Block Operations manufacturing facilities. It is incorporated into a small number of formulations due to space and protein constraints that require its use.

RBO's brochures, literature pieces and educational materials now identify those products that are made with no animal products, with no animal proteins (all vegetable proteins), and with no mammalian animal protein ingredients. Label changes have been made, minimizing any reference to the word "animal" to eliminate any doubt in our customers' minds that they are using anything but legally manufactured, consistent, high quality, dependable, and safe, low-moisture block products that provide results.

Cotswold is uniquely qualified and equipped to adapt quickly to the genetic needs of its different markets, as well as those of individual swine producers.



The Lean Start® integrated pig starter feed program is based on research-proven nutrition principles, matching diet and ingredients to the digestive system of young pigs at each stage of growth.

Vitamin E and trace mineral levels in specific CRYSTALYX® low-moisture block products have been modified to agree more closely with recent research findings. New formulations have assisted with intake control in low-moisture blocks for horses, in addition to providing alternative supplement choices for producers who demand supplements made with ingredients that are not of animal origin. New value-based marketing programs have been a driving force in developing supplements such as NATURALYX™, a low-moisture block feed supplement that "naturally" fit these markets.

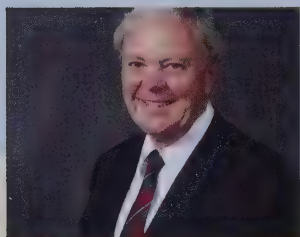
New research efforts are just underway in developing new products and applications of products in non-traditional livestock production areas as well as products that can be used outside of production agriculture.

COTSWOLD] Cotswold's extensive investment in research and development has made it a leader in swine genetics. With the industry continuing to consolidate, large commercial producers want to know that they are working with advanced swine genetics that will meet their current and future needs. At Cotswold, we are constantly researching new products and programs that will help us meet the expectations of all our customers, large or small, in all of our markets.

- The objectives of the Cotswold research program are:
- achieving the fastest rate of genetic improvement possible using present day technology,
 - assisting commercial pig producers in realizing the full potential of their pigs and,
 - having access to all new technologies when needed.

In order to fulfill these important research objectives, Cotswold supplements its own research work by accessing prominent university research facilities. As noted in the Cotswold Operations section of this annual report, a major initiative in the coming year will be the development of a separate North American genetics program. Initiatives are underway to establish the strategic research alliances that will enhance our science base and support our leading position in the business of swine genetics.

RIDLEY INC. BOARD OF DIRECTORS]



J.S. Keniry *^

*BSc, PhD, FTSE, FRACI, FAICD, Chairman
Age 58*



J.C. Brown *^

*BSA, MSc, PAg, FAIC, Non-Executive Director
Age 72*

J.S. KENIRY

Director and Chairman since 1997. Director of Ridley Corporation Limited, Australia, since 1990 and its Chairman since March 1994. Formerly held executive positions with leading Australian public companies, CSR Limited and Goodman Fielder Limited. Presently Chairman, National Registration Authority for Agricultural and Veterinary Chemicals; Chairman, Sugar Australia Pty Ltd; President, Australian Chamber of Commerce and Industry; and a Director of a number of other statutory bodies and companies. Member of the (Australian) Prime Minister's Science, Engineering and Innovation Council; Fellow of the Royal Australian Chemical Institute, Australian Academy of Technological Sciences and Engineering, and the Australian Institute of Company Directors.

J.C. BROWN

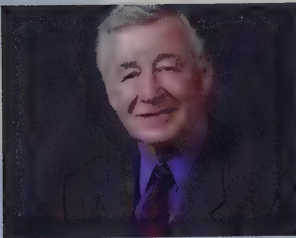
Director since May 1997. Since 1996, Principal, J.C. Brown Consulting Services. Formerly Vice-President, Marketing with Feed-Rite Ltd. and earlier held a senior position with the Canadian Wheat Board. Former National Director of the Agricultural Institute of Canada and Past President of the Manitoba Institute of Agrologists. Now, Executive Director/Registrar, Manitoba Institute of Agrologists. Actively involved in western Canada's agri-business sector for more than 45 years.

R.L.M. DAWSON

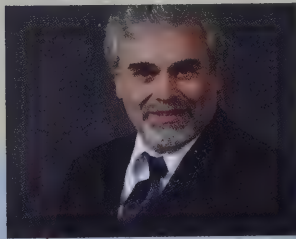
Director since May 1997. Principal of Fulcrum Associates, a Winnipeg consulting firm specializing in value-added agriculture and sustainable development. Held senior management positions with Cargill Inc. in Europe, South America and Canada, including responsibilities for grain marketing, the feed industry, the seed business, and corporate affairs. Chairman of the Winnipeg Commodity Exchange, 1978. Served on Canada's Agricultural Advisory Committee to the "Uruguay" GATT Round and on the Economic Innovation and Technology Council of Manitoba.

L.J. MARTIN

Director since May 1997. Chief Executive Officer of the George Morris Centre since 1994, formerly Director of Research since its inception in 1990. Previously Professor and Chair, Department of Agricultural Economics and Business, University of Guelph. Served on the Public Advisory Committee on Regulation Review for Agriculture Canada and as Chair, Canadian Agri-Food Competitiveness Council (1991 - 1994). Has extensive experience in competitiveness and trade issues and has facilitated the strategic visioning, planning, and development of strategic alliances for many organizations.



R.L.M. Dawson ^Δ
MA, Non-Executive Director
Age 66



L.J. Martin
PhD, Non-Executive Director
Age 56



M. Bickford-Smith *
Non-Executive Director
Age 41

M. BICKFORD-SMITH

Director since August 2001. CEO and Managing Director of Ridley Corporation Limited since November 2000. He was previously with the Man Group and was Managing Director of Australia where the main focus of the last three years has been the negotiation and implementation of a three-way merger within the domestic refined sugar industry. Before moving to Australia he was based in Hong Kong with responsibility for managing risk relating to the Man Group's sugar businesses within the region. He joined the Man Group in 1991 as Manager of business development for the sugar division where he gained experience assessing business opportunities in South East Asia, South America and Eastern Europe. Before moving to the Man Group he spent five years with Phibro, the commodity trading division of Salomon Brothers where he worked in several soft commodity divisions with the main focus being proprietary trading, structured financing and marketing.

* Compensation Committee Member
^Δ Audit Committee Member

The following discussion and analysis should be read in conjunction with the Company's financial statements that appear on pages 37 to 55 of this report. Unless otherwise indicated, references to years refer to the Company's fiscal years ending June 30.

RESULTS OF OPERATIONS] Fiscal 2001 was a year of significant events within Ridley Inc. The successful integration of Wayne Feeds with the Hubbard Feeds operation was a major project that propelled the U.S. Division to new sales and earnings levels. Synergies were realized in the areas of sales force and field management team consolidation, closing the Wayne Chicago office and the closing of three plants. The swine operations continued to be a challenge with significant operating losses occurring in Cotswold, driven largely by Classical Swine Fever and Foot and Mouth Disease in the U.K. Results improved in the commercial pig production segment, Quality Swine Systems (QSS), mainly due to stronger pig prices throughout the year. A strategy was announced during the year to exit QSS and we will be out of the business by mid-2002. We do not expect the execution of this strategy will require any significant charges.



M.S. Mitchell
Chief Financial Officer

MANAGEMENT'S DISCUSSION & ANALYSIS]

INCOME FROM OPERATIONS] On a consolidated basis, revenue for 2001 increased by \$216.1 million, or 42.7 percent, to \$722.7 million, compared with \$506.6 million in 2000. Cost of sales increased 45.2 percent or \$182.1 million to \$584.7 million compared with \$402.6 million the previous year. The gross profit for 2001 of \$138.0 million was \$34.0 million, or 32.7 percent higher than the 2000 total of \$104.0 million. As a percentage of revenue, the gross profit decreased from 20.5 percent in 2000 to 19.1 percent in 2001, reflecting a change in product mix as a result of the Wayne Feeds acquisition. Total operating expenses, including selling, general and administrative expenses, depreciation, and research and development, were \$98.7 million for the year, or \$14.7 million higher than the 2000 total of \$84.1 million. Ridley's operating income of \$39.3 million was \$19.3 million higher than the \$20.0 million recorded in 2000.

Net income was \$4.0 million, compared with \$6.4 million in 2000. Reported net income in 2001 is net of a \$10.5 million write-off of goodwill and \$1.5 million of restructuring costs.

The following discussion of division results provides a more detailed analysis of these changes.

CANADIAN DIVISION] Ridley's Canadian Division consists of feed mills and commercial hog production operations operating under the name Quality Swine Systems (QSS). Sales volume, gross profit and operating income increased substantially over the previous year. Low pig prices can severely impact QSS results. While the Company mitigates its exposure to fluctuating hog prices through the use of forward sales contracts as well as futures and option hedging strategies, we believe the opportunities in commercial hog production do not outweigh the risks involved. Consequently, the decision was made during the year to exit the QSS business. This process is underway and it is anticipated we will be out of the business in fiscal 2002.

Operating income of the Canadian Division increased by \$3.8 million, or 50.2 percent, to \$11.4 million in 2001 from \$7.6 million in 2000. This increase was due to the improved results of Quality Swine Systems (QSS), the commercial hog production operation and the feed operations. The combination of improved prices in the hog market and measures taken by QSS to reduce costs, provided an improved result over the previous year. The operating income of the feed operation improved as a result of higher sales volumes and margin improvements due to improved capacity utilization, better product mix and purchasing synergies.

Canadian Division revenue increased by \$17.7 million, or 10.6 percent, from \$167.6 million in 2000 to \$185.3 million in 2001. External feed sales volume increased by 11.1 percent over 2000 levels. QSS sales revenue increased by 2.3 percent due to higher pig prices. Feed division sales increases were mostly from large hog and poultry producers.

The following table summarizes the Company's operating results for fiscal 2001 and fiscal 2000.

DIVISION EARNINGS RECAP 2001 WITH 2000 COMPARATIVE (CDN\$000)

	Canadian Division		U.S. Division		Cotswold Division		Unallocated		Total	
	2001 (\$000)	2000 (\$000)	2001 (\$000)	2000 (\$000)	2001 (\$000)	2000 (\$000)	2001 (\$000)	2000 (\$000)	2001 (\$000)	2000 (\$000)
Revenue	185,283	167,554	487,574	295,779	49,884	43,246	-	-	722,741	506,579
Cost of sales	153,119	140,042	390,965	227,208	40,609	35,259	-	49	584,693	402,558
Gross profit	32,164	27,512	96,609	68,571	9,275	7,987	-	(49)	138,048	104,021
	17.4%	16.4%	19.8%	23.2%	18.6%	18.5%			19.1%	20.5%
Operating expenses										
Selling, G&A	18,857	17,979	50,777	41,122	13,201	10,557	2,341	2,248	85,176	71,906
Depreciation	1,857	1,884	7,875	6,425	1,054	1,102	71	84	10,857	9,495
Research & development	74	77	654	596	1,960	1,944	12	53	2,700	2,670
	20,788	19,940	59,306	48,143	16,215	13,603	2,424	2,385	98,733	84,071
Operating income	11,376	7,572	37,303	20,428	(6,940)	(5,616)	(2,424)	(2,434)	39,315	19,950
Interest expense									13,540	10,342
Claims settlement (income)									-	(7,759)
Restructuring costs									1,451	-
Other expense (income)									(3,648)	2,177
Net earnings before the following									27,972	15,190
Provision for income taxes									12,185	7,675
Goodwill amortization, net of income taxes									1,304	1,114
Goodwill write-off									10,525	-
Net earnings for the year									3,958	6,401
Total assets	91,779	96,623	229,122	235,070	29,833	39,854	-	-	350,734	371,547
Capital assets & goodwill	46,489	47,267	142,420	145,194	9,712	21,283	-	-	198,621	213,744

Cost of sales within the Canadian Division increased \$13.1 million, or 9.3 percent, to \$153.1 million compared with \$140.0 million in 2000. Cost of sales for the QSS operation decreased \$1.4 million while feed operation costs increased \$14.5 million. Volume increases in the feed operations drove the increase in cost of sales.

Gross profit increased by \$4.7 million, or 16.9 percent to \$32.2 million in 2001 from \$27.5 million in 2000. As a percentage of revenue, gross profit increased to 17.4 percent in 2001 from 16.4 percent in 2000. The increase was primarily due to the improvement in hog prices during the year and improved product mix and purchasing synergies in the feed operations.

Total operating expenses increased \$0.9 million to \$20.8 million from \$19.9 million in 2000. Selling, general and administrative expenses increased by 4.9 percent, or \$0.9 million, to \$18.9 million in 2001 from \$18.0 million in 2000. The increased costs were a result of increased selling costs in 2001 compared to last year. These were somewhat offset by reduced bad debt expenses compared to an inordinately high expense last year.

U.S. DIVISION

The U.S. Division consists of Hubbard Feeds Operations and Ridley Block Operations. The results of the Wayne acquisition late in fiscal 2000 are now included in the Feed Operations for the full fiscal 2001 year compared with three months in fiscal 2000.

Operating income of the U.S. Division increased by \$16.9 million, or 82.6 percent to \$37.3 million from \$20.4 million in 2000. The increase was due primarily to the full year impact of the Wayne acquisition and improved block results. Ridley leads the low-moisture block market in the U.S. with 50% production share. The dry fall and colder fiscal 2001 winter increased demand for low-moisture, feed supplement blocks and Ridley took advantage of the market environment, adding new customers and selling greater numbers of blocks to existing clients.

U.S. Division revenue increased by \$191.8 million, or 64.8 percent to \$487.6 million in 2001 from \$295.8 million in 2000. Sales tonnage increased 34.6 percent. The revenue increase is accounted for primarily by the addition of Wayne Feeds and increased block volume over fiscal 2000. Commodity prices were relatively flat during the past year and did not have a significant impact on revenue.

Gross profit for 2001 increased by \$28.0 million, or 40.9 percent to \$96.6 million, from \$68.6 million in 2000. The gross margin dollar increase is a result of the addition of Wayne Feeds and an increase in sales volumes for both feed and block operations.

However, gross profit as a percentage of sales decreased from 23.2 percent in 2000 to 19.8 percent in 2001. This is due to the inclusion of a full year of Wayne Feeds' sales, which tend to have a higher percentage of complete feeds that carry lower margins.

Selling, general and administrative (S,G&A) costs increased by \$9.7 million, or 23.5 percent to \$50.8 million in 2001 from \$41.1 million in 2000. S,G&A costs were higher than last year due to the full year of Wayne operations. We realized synergies in selling and administrative costs in line with our acquisition plan, however, energy and product claim costs were higher than expected for the entire feed operations.

Due to capital expenditures and the Wayne acquisition last year, depreciation increased by \$1.5 million to \$7.9 million compared with \$6.4 million in 2000.

Research and development increased \$0.1 million to \$0.7 million from \$0.6 million in 2000 due to expanded research efforts, mainly in the area of swine nutrition.

COTSWOLD DIVISION

The Cotswold Division consists of swine genetics production in the U.K., Germany, U.S. and Canada. Cotswold USA was formed in October 1999 and therefore is included in the fiscal 2000 results for nine months. All operations are included in fiscal 2001 for the full year.

Operating income for the Cotswold Division decreased by \$1.3 million, or 23.6 percent in 2001 compared with 2000. While the division generated improved results in Germany and improved sales and margins in the U.S. and Canada, these were offset by the \$1.6 million impact of Foot and Mouth Disease (FMD) and \$1.5 million in Classical Swine Fever in the U.K. and increased overhead costs to establish marketing capabilities in North America.

Overall, fiscal 2001 Cotswold revenues increased by \$6.6 million to \$49.9 million, primarily as the result of volume growth in the U.S. and Canada. North American operations showed an overall revenue increase of 51.0 percent. This includes an increase of 51.0 percent in breeding pigs sold, 33.0 percent increase in artificial insemination sales volume and an 11.0 percent increase in the average price for slaughter hogs over the previous year.

Gross profit increased \$1.3 million as a result of these revenue increases despite the negative impact of the U.K. outbreak of Foot and Mouth Disease.

Total operating expenses for Cotswold increased by \$2.6 million to \$16.2 million compared with \$13.6 million in 2000 as a result of increased overhead and selling expenses incurred to better position Cotswold North America for future growth.

These factors resulted in a \$1.3 million decrease in operating income. In addition to the operating losses, Ridley took significant charges to restructure our European businesses and position them to be slightly profitable in the new fiscal year.

OTHER EXPENSES

During fiscal 2000, Ridley wrote-off several assets and investments in the U.S. and Canada and wrote down a number of impaired assets to more accurately reflect their market values. These expenses were partially offset by interest received on loans and advances to third parties, income on investments and interest on accounts receivable. Other (income) expense was \$(3.6) million in 2001 and \$2.2 million in 2000.

CLAIM SETTLEMENT

A claim settlement was received from suppliers in the U.S. resulting in a gain of \$7,759,000 in fiscal 2000.

RESTRUCTURING COSTS AND GOODWILL WRITE-OFF

During the year, we took significant charges as the result of ongoing losses and the uncertainty created by Foot and Mouth Disease in the U.K. The charges relate to the write-off of goodwill in the amount of \$10.5 million. Restructuring reserves in the amount of \$1.5 million were established to downsize the business and refocus it on the U.K. domestic market. Cotswold U.K. and European Operations do not represent a core business for Ridley.

INTEREST

Interest expense increased by \$3.2 million, or 31 percent to \$13.5 million from \$10.3 million in 2000, primarily as a result of borrowings incurred to finance the Wayne acquisition. The U.S.\$22 million bridge loan for Wayne was repaid on schedule in December 2000. Declining interest rates late in the year, along with declining loan balances, were helping reduce interest costs as the fiscal year ended. The total debt was reduced from \$174 million at the beginning of the fiscal year to \$138 million at year-end.

INCOME TAX

Income taxes as a percentage of net income before tax decreased from 50.5 percent in 2000 to 43.6 percent in 2001. The higher effective rate in 2000 was due primarily to losses incurred by a subsidiary for which no tax recoveries were recognized. A similar situation exists in 2001, however, significantly more taxable income in North America reduced the overall effective rate.

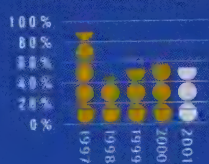
NET EARNINGS FOR THE YEAR

Net earnings for the year decreased by \$2.4 million, from \$6.4 million in 2000 to \$4.0 million in 2001. Basic earnings per share for fiscal 2001 were \$0.30, 38.0 percent less than the \$0.48 basic earnings per share in 2000. The weighted average number of shares outstanding was 13,337,500, the same as in 2000.

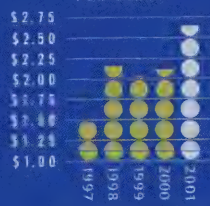
EARNINGS
PER SHARE



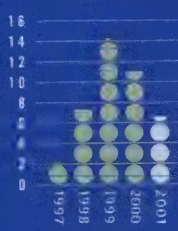
LONG-TERM DEBT TO
TOTAL CAPITALIZATION



CASH FLOW*
PER SHARE



CAPITAL SPENDING
(\$ millions)



* Cash flow generated from operations before changes in non-cash working capital.

LIQUIDITY AND CAPITAL RESOURCES]

Cash generated from operations, before changes in non-cash working capital balances, was \$35.6 million, an increase of \$7.0 million from the \$28.5 million generated in 2000. Working capital increased by \$20.3 million to \$47.6 million in 2001 from \$27.3 million in 2000.

Capital expenditures for fixed assets during the year were \$6.7 million compared with \$11.0 million in 2000. Cash generated by operations funded capital expenditures.

RISK MANAGEMENT] The Company's businesses are subject to a number of risk factors including commodity prices, hog prices, interest rate and foreign currency volatility, customer credit performance, weather conditions, environmental regulations and the loss of facilities and inventories from fire and other perils. The Company mitigates these risks through a variety of methods.

COMMODITY PRICING]

GRAINS AND PROTEIN MEALS

Commodity grains and protein meals constitute a significant component of the Company's complete feed production. Complete feed is sold through either spot orders, or through longer-term, fixed-price sales contracts. In order to meet short-term requirements, the Company maintains inventories of grains and protein meals.

The grains and protein meals market is such that the Company is subject to a risk of movement in price between the time that grains and protein meals are purchased and the time they are sold as part of a feed product or pig. The Company is also subject to a risk of movement in price between the time that the commodities are sold as part of a feed product through long-term supply contracts and the time they are purchased to fulfill the contract.

The Company mitigates its exposure to commodity price risk to the extent practicable through several methods, including inventory management, the use of long-term purchase contracts, back-to-back buying and selling, and hedging on regulated futures and options markets. The degree to which the Company remains at risk at any time due to an incomplete hedge, however, poses no material risk to the Company's earnings.

HOGS

A portion of the Company's revenues is derived from the production and marketing of hogs. As a traded commodity, hog prices fluctuate on an ongoing basis with some seasonal trending. The Company is therefore subject to risk of changing prices over time.

Periodically, the Company will mitigate its exposure to fluctuating hog prices through the use of forward sales contracts negotiated with major hog processors or marketing agencies, together with futures and option hedging strategies.

SEASONALITY AND WEATHER CONDITIONS]

The beef cattle feed segment of the Company's business is seasonal, with a higher percentage of feed sold and earnings generated during the second and third fiscal quarters. This seasonality is driven largely by weather conditions. If the weather is particularly cold during the winter, sales of feed for cattle increase as compared with normal seasonal patterns, because the cattle are unable to graze under those conditions and have high energy requirements. If the weather is relatively warm during the winter, sales of feed for cattle may decrease as compared with normal seasonal patterns, because the cattle are better able to graze under those conditions. Other product lines are affected only marginally by seasonal conditions.

The Company manages the risk associated with abnormal weather patterns by marketing a diversified product line which, besides beef cattle feed, includes feed for other livestock (dairy cattle, hogs, poultry, horses, sheep, etc.). The Company also sells livestock and farm supplies. It also manages this risk by geographically distributing its operations and hence, the market for its products. As a result, regional variations in weather impact only a portion of the Company's earnings at any one time.

INTEREST RATES]

The Company finances a portion of its business through the use of several long-term variable rate credit facilities, which exposes the Company to some risk of loss as a result of interest rate movement.

The Company believes that the risk of material loss through increases in interest rates over the short term is minimal. The Company has, however, implemented a strategy to hedge interest rates on approximately 50 percent of the total bank debt outstanding at any time. This strategy utilizes several hedging instruments including interest rate swaps and forward rate agreements. At June 30, 2001, approximately 60 percent of the Company's outstanding bank debt was hedged, using interest rate swaps with a variety of maturity dates extending for up to two years.

FOREIGN EXCHANGE]

The Company's Canadian Division makes some purchases and sales denominated in U.S. dollars. The Division is currently a net seller of U.S. dollars. The Company manages the risk associated with holding U.S. currency by monitoring its net position and entering into forward exchange contracts where warranted for individually material transactions or the net position.

The Company's U.S. Division, Hubbard Feeds, is considered to be self-sustaining. There are no material transactions denominated in currencies other than U.S. dollars. Consequently, no hedging tools are employed by this operation.

The individual operating units within the Cotswold Division conduct the majority of their operations in their local currencies, but have some transactions in U.S. dollars and deutschmarks. Forward exchange contracts are entered into for individually material transactions or where net positions warrant.

CREDIT]

The Company is subject to potential credit risk in the event of non-performance by its customers. This risk is minimized by a number of factors. The Company deals with a large customer base, consisting of both individuals and corporations, with no single customer representing more than 3.0 percent of the Company's total gross sales. The Company's customer base is also geographically dispersed and comprised of livestock producers representing several different livestock species. This tends to minimize the risk posed to the Company by economic downturns that are either species or regionally based.

INSURANCE]

The Company has significant investments in manufacturing and distribution facilities and inventory and is subject to the risk of loss or impairment of earnings as a result of the partial or complete destruction of one or more of these facilities.

The Company manages this risk in several ways. First, the Company's facilities are geographically distributed across the continental United States, Canada and the U.K. The risk of multiple facilities being lost as a result of a single peril is, therefore, minimized. Second, regular inspections of the Company's facilities are conducted by both management and representatives of the Company's insurance carrier, in order to minimize potential safety hazards. Finally, the Company maintains property loss and business interruption insurance sufficient to cover any foreseeable material loss.

OUTLOOK]

The good results achieved in the feed and block operations during fiscal 2001 are expected to continue for the new fiscal year. The U.S. Feed Operations are now in a position to refocus on growth opportunities and increased efficiencies after a year of integrating the Wayne Feeds' operations. Canadian Feed Operations are coming off a strong year, but can expect some modest growth in the new fiscal year. Block Operations completed an excellent year, which was enhanced by some unusual weather conditions. Although the same conditions are not expected for the new fiscal year, future growth opportunities are available to the Block Operations. Feed grain inventories and continued low ingredient costs are expected to encourage livestock production.

A turnaround is expected in the Cotswold Operations. Write-down and cost restructuring charges were taken in the U.K. operations in fiscal 2001. This should allow them to operate at modest profit levels in the new fiscal year. Results in Europe will still be impacted by foot and mouth disease until the U.K. government lifts restrictions. Cotswold North America will deliver increased volumes and improved profitability given current hog prices. The exit plan for Quality Swine Systems (QSS) will be substantially completed during fiscal 2002. This will reduce our exposure to hog prices in the future and free up working capital.

Improved operating results overall in fiscal 2002 will allow the Company to continue to reduce debt and interest expense. The combination of growth and cost controls in the operations, along with expected significant improvement in Cotswold results, have generated optimism for the new fiscal year.



CONSOLIDATED FINANCIAL STATEMENTS]

JUNE 30, 2001

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43	Notes to Consolidated Financial Statements

MANAGEMENT REPORT]

The accompanying consolidated financial statements of Ridley Inc. and all the information in this annual report are the responsibility of management and have been reviewed and approved by the Board of Directors.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include some amounts based on management's estimates and judgements. The financial information presented throughout the annual report is consistent with that contained in the consolidated financial statements.

To assist management in fulfilling its responsibilities, a system of internal controls has been established to provide reasonable assurance that assets are safeguarded and that the financial records are accurate and reliable.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Audit Committee is appointed by the Board, and all of its members are outside, unrelated directors. The Committee meets with management, as well as external auditors, on a regular basis throughout the year to review internal accounting controls, audit results and other financial reporting issues. In addition, the Audit Committee considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors and reviews the consolidated financial statements with management and the external auditors prior to recommending their approval by the Board.

The consolidated financial statements as at June 30, 2001 and 2000 and for the years then ended have been audited on behalf of the shareholders by the external auditors, PricewaterhouseCoopers LLP, in accordance with Canadian generally accepted auditing standards. PricewaterhouseCoopers LLP has full and free access to the Audit Committee.



R.B. Gallaway
President & Chief Executive Officer

August 3, 2001



M.S. Mitchell
Chief Financial Officer

AUDITORS' REPORT]

To the Shareholders of Ridley Inc.

We have audited the consolidated balance sheets of Ridley Inc. (the Company) as at June 30, 2001 and 2000 and the consolidated statements of earnings and retained earnings and cash flows for the years ended June 30, 2001 and 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Winnipeg, Canada

August 3, 2001

CONSOLIDATED BALANCE SHEETS]

(expressed in thousands of dollars)

	Year Ended June 30	
	2001 (\$000)	2000 (\$000)
Assets		
Current assets		
Cash and short-term deposits	3,950	8,345
Accounts receivable	43,838	41,041
Inventories (Note 5)	55,638	54,653
Income taxes recoverable	4,998	5,674
Prepaid expenses	2,527	2,212
Current portion of loans and advances receivable	10,044	11,379
	120,995	123,304
Loans and advances receivable (Note 6)	23,312	26,911
Breeding stock	3,849	4,505
Investments	2,359	1,724
Capital assets (Note 7)	136,890	140,419
Other assets	1,598	1,359
Goodwill (Note 8)	61,731	73,325
	350,734	371,547
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	59,962	58,186
Due to parent company (Note 9)	50	22
Current portion of long-term debt (Note 10)	13,394	37,826
	73,406	96,034
Long-term debt, less current portion (Note 10)	124,281	135,799
Future income taxes	27,933	12,227
Pensions and post-retirement benefits (Note 11)	5,280	5,747
	230,900	249,807
Shareholders' Equity		
Share capital (Note 12)	81,629	81,629
Cumulative foreign currency translation adjustments (Note 13)	4,959	2,784
Retained earnings	33,246	37,327
	119,834	121,740
	350,734	371,547

The accompanying notes constitute an integral part of the consolidated financial statements.

Approved by the Board of Directors

 Director

 Director

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS]

(expressed in thousands of dollars)

	Year Ended June 30	
	2001 (\$'000)	2000 (\$'000)
Revenue	722,741	506,579
Cost of sales	584,693	402,558
Gross profit	138,048	104,021
Operating expenses		
Selling, general and administrative	85,176	71,906
Depreciation of capital assets	10,857	9,495
Research and development	2,700	2,670
Interest	13,540	10,342
Claim settlement (Note 14)	-	(7,759)
Restructuring costs (Note 3)	1,451	-
Other expense (income)	(3,648)	2,177
	110,076	88,831
Earnings before income taxes and goodwill amortization	27,972	15,190
Provision for income taxes (Note 17)		
Current	5,680	5,351
Future	6,505	2,324
	12,185	7,675
	15,787	7,515
Earnings before goodwill amortization/write-off		
Goodwill amortization, net of income taxes of \$677 (2000 - \$443)	1,304	1,114
Goodwill write-off (Note 3)	10,525	-
Net earnings for the year	3,958	6,401
Earnings per share		
Earnings before goodwill amortization/write-off - basic	\$1.18	\$0.56
- diluted	\$1.12	\$0.55
Net earnings for the year - basic	\$0.30	\$0.48
- diluted	\$0.30	\$0.47
Retained earnings - Beginning of year	37,327	30,926
Change in accounting policy (Note 2)	(8,039)	
	29,288	30,926
Current year earnings	3,958	6,401
Retained earnings - End of year	33,246	37,327

The accompanying notes constitute an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS]

(expressed in thousands of dollars)

	Year Ended June 30	
	2001 (\$000)	2000 (\$000)
Cash from (utilized for)		
Operating activities		
Net earnings for the year	3,958	6,401
Items not affecting cash (<i>Note 18</i>)	31,594	22,134
	35,552	28,535
Net change in non-cash working capital balances related to operations (<i>Note 18</i>)	(1,119)	(3,276)
Net cash from operating activities	34,433	25,259
Investing activities		
Proceeds on disposal of capital assets	1,777	421
Proceeds on disposal of investments	-	2,905
Purchase of capital assets	(6,669)	(11,041)
Purchase of investments	(724)	(166)
Purchase of other non-current assets	-	(293)
Business acquisitions including bank indebtedness assumed (<i>Note 4</i>)	-	(53,680)
Decrease (increase) in loans and advances receivable	5,472	(3,869)
Other	(428)	879
Net cash utilized for investing activities	(572)	(64,844)
Financing activities		
Increase in (repayment of) debt	(38,141)	48,192
Increase in (repayment of) amount due to parent company	28	(9)
Dividends paid	-	(534)
Net cash from (utilized for) financing activities	(38,113)	47,649
Effect of exchange rate changes on cash	(143)	-
Increase (decrease) in cash and short-term deposits	(4,395)	8,064
Net cash and short-term deposits – beginning of year	8,345	281
Net cash and short-term deposits – end of year	3,950	8,345

The accompanying notes constitute an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS]

June 30, 2001

(tabular amounts expressed in thousands of dollars)

1 Significant accounting policies and basis of presentation

These consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada which require the Company to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses and disclosures of contingencies. Actual results could differ from these estimates.

Basis of consolidation

These consolidated financial statements include the assets and liabilities and results of operations of the Company and all controlled entities.

Revenue recognition

Revenue reflects sales of livestock feed, animal health supplies, livestock and farm supplies and equipment. Revenue from product sales is recorded on shipment.

Cash and short-term deposits

Cash and short-term deposits consist of cash and temporary investments with maturities of three months or less when purchased.

Inventories

Inventories are recorded at the lower of weighted average cost and net realizable value.

Breeding stock

Breeding stock is recorded at the lower of cost and net realizable value.

Investments

Investments represent investments in non-related corporations and are primarily accounted for at cost.

Capital assets and depreciation

Capital assets are recorded at historical cost less accumulated depreciation. Depreciation is provided on a straight-line basis at the following annual rates:

Buildings	40 years
Machinery and equipment	10 – 30 years
Computer equipment	3 – 5 years
Furniture and fixtures	10 years
Trucks, trailers and automobiles	5 – 10 years

Goodwill

Goodwill is amortized on a straight-line basis over an estimated useful life of 40 years. The Company reviews the carrying value of goodwill to determine if it has been permanently impaired. The measurement of possible impairment is based primarily on the ability to recover the balance of the goodwill from expected future operating cash flows on an undiscounted basis.

Other assets

Other assets include deferred financing and start-up costs, and licensing fees that are recorded at cost. Amortization of deferred financing costs is provided on a straight-line basis over the term of the related debt. Amortization of the breeding license is provided on a straight-line basis over the term of the license. Amortization of start-up costs is provided on a straight-line basis over periods of up to five years.

Income taxes

The Company uses the asset and liability method of accounting for income taxes (see note 2). Future income tax assets and liabilities are recognized for future consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using the enacted income tax rates expected to apply when the asset is realized or the liability is settled. The effect of changes in income tax rates is recognized in the period in which the rate change occurs. When necessary, a valuation allowance is recorded to reduce future income tax assets to an amount that will more likely than not be realized.

In 2000, income taxes were accounted for on the tax allocation basis.

Foreign operations

The accounts of self-sustaining foreign subsidiary companies are translated into Canadian dollars on the following basis:

- assets and liabilities at the exchange rate prevailing at the balance sheet date; and
- revenue and expenses at weighted average exchange rates for the year.

Adjustments arising from this translation are deferred and recorded as a separate item under shareholders' equity and are included in income only when a reduction in the net investment in these foreign operations is realized. Gains or losses on foreign currency balances and transactions that are designated as hedges of a net investment in self-sustaining foreign operations are offset against exchange losses or gains included in the separate item under shareholders' equity.

(tabular amounts expressed in thousands of dollars)

Foreign currency transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date. Exchange differences on these items are included in income as they arise. Revenues and expenses denominated in foreign currencies are translated at the exchange rate prevailing at the transaction date.

Derivatives

Derivative financial instruments that are designated as hedges and are effective as hedges of underlying exposures are accounted for on the same basis as the underlying exposure. Derivative financial instruments are not recognized in the financial statements at inception. Recognition of gains/losses relating to hedges of specific purchase/sale commitments are deferred until the underlying commitments are realized.

Other income

Other income consists primarily of gains and losses on disposal of capital assets and investments, interest on loans and advances made to third parties with which the Company has trading relationships, interest on overdue accounts receivable and income on investments.

Employee future benefits

The Company maintains both defined benefit and defined contribution pension plans. The expense for the defined benefit plans is determined by actuarial valuations of pension plan assets and obligations, using the projected benefit method. Current service costs are charged to earnings as they accrue, while past service amounts, experience gains and losses, and adjustments arising from plan amendments or changes in assumptions, are amortized to earnings on a straight-line basis over the expected average remaining service lives of plan members. For the defined contribution plans, the expense is the annual funding contribution required under the plans.

The Company provides health care benefits for eligible retired employees and their covered dependants. The Company accrues for these benefits over the period in which employees provide service to the date of their first eligibility for such benefits.

Earnings per share

Basic earnings per share are calculated using the daily weighted average number of shares outstanding during the year.

Fully diluted earnings per share are calculated using the daily weighted average number of shares that would have been outstanding at the year end date had all of the stock options issued by the Company been exercised at the later of the beginning of the year or when granted. Imputed earnings of \$289,456 have been calculated on the proceeds from the exercise of stock options using a 4.17% after-tax rate of return (\$192,626 and 3.87% for 2000).

In the first quarter of 2002, the dilutive effect of outstanding stock options will be reflected in diluted earnings per share by application of the treasury stock method as required by the new Canadian Institute of Chartered Accountants standard. The standard will be applied retroactively; however the Company does not believe the adoption of this new standard will have a material effect on diluted earnings per share as previously presented.

Stock option plan

The Company has a stock option plan which is described in Note 12. No compensation expense is recognized for the plan when stock options are issued to employees. Any consideration paid by employees on exercise of stock options is credited to share capital.

Reclassifications

Prior period amounts have been reclassified to conform with current year presentation. The reclassifications had no impact on net earnings or shareholders' equity as previously reported.

2 Accounting changes

In the first quarter of fiscal 2001, the Company changed its accounting policy and adopted the new Canadian Institute of Chartered Accountants Standards Section 3465 – Accounting for Income Taxes. The new standard required the implementation of the asset and liability method of accounting for income taxes. The Company adopted Section 3465 retroactively, and comparative information will not be restated. The retained earnings as at July 2, 2000, have decreased by \$8,039,000, with a corresponding increase to future income tax liabilities.

In the first quarter of fiscal 2001, the Company adopted the new Canadian Institute of Chartered Accountants Standards Section 3461 – Employee Future Benefits, which requires that all employee future benefits be accounted for on an accrual basis. The Company has adopted Section 3461 prospectively. The adoption does not have a significant effect on net earnings in fiscal 2001.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS]

June 30, 2001

(tabular amounts expressed in thousands of dollars)

3 Restructuring costs and goodwill write-off

During the fourth quarter of 2001, management approved various actions to improve the long-term efficiency and competitiveness of the Company's swine genetics operations in the U.K. and Germany (Cotswold Pig Development Company Limited) and to reduce costs. These actions included personnel reductions, termination of certain contracts and other expense reductions. As a result of these actions, the Company recorded restructuring costs of \$1,451,000, of which \$1,048,000 remains as a liability at June 30, 2001. The restructuring program will be substantially completed by September 30, 2001. The long term anticipated cash flows from this operation do not support the carrying value of the remaining associated goodwill. Accordingly, a \$10,525,000 write-off of goodwill was also recorded in the fourth quarter of 2001.

Restructuring costs and goodwill write-off have been shown separately on the consolidated and segmented income statements. Due to tax loss carry forwards existing in Cotswold Pig Development Company Limited, no tax benefit was recorded.

4 Business acquisitions

There were no business acquisitions in fiscal 2001.

On March 31, 2000, the Company purchased the assets of the animal nutrition business of ContiGroup Companies, Inc. ("Wayne Feeds"), for an aggregate cash consideration of \$53,680,000. Wayne Feeds has been integrated into the U.S. Feed Operations. This acquisition was accounted for using the purchase method of accounting and accordingly, these financial statements include the results of operations of the acquired business from the date of acquisition.

Details of the net assets acquired on the basis of fair value and the consideration given were as follows:

	2000 (\$000)
Assets	
Accounts and loans receivable	19,252
Inventory	14,373
Prepaid expenses	148
Capital assets	35,145
Goodwill	19,960
	88,878
Liabilities	
Accounts payable and accrued liabilities	35,198
Consideration	53,680
Cash	

5 Inventories

	2001 (\$000)	2000 (\$000)
Raw materials	21,608	22,043
Finished goods	24,140	19,426
Livestock inventory	9,890	13,184
	55,638	54,653

6 Loans and advances receivable

The Company has entered into certain loans and collateral agreements with third parties. The loans bear interest primarily at rates between 7.5% and 10.5% with terms up to five years in length.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS]

June 30, 2001

(tabular amounts expressed in thousands of dollars)

7 Capital assets

	2001		
	Cost (\$000)	Accumulated depreciation (\$000)	Net book value (\$000)
Land	7,993	—	7,993
Buildings	62,936	7,540	55,396
Machinery and equipment	85,730	20,757	64,973
Computer equipment	3,622	2,653	969
Furniture and fixtures	4,063	2,193	1,870
Trucks, trailers and automobiles	9,077	5,142	3,935
Assets under capital leases	276	—	276
Construction in progress	1,478	—	1,478
	175,175	38,285	136,890

	2000		
	Cost (\$000)	Accumulated depreciation (\$000)	Net book value (\$000)
Land	9,092	—	9,092
Buildings	59,210	5,162	54,048
Machinery and equipment	80,967	14,284	66,683
Computer equipment	3,154	2,047	1,107
Furniture and fixtures	3,832	1,610	2,222
Trucks, trailers and automobiles	9,480	4,112	5,368
Construction in progress	1,899	—	1,899
	167,634	27,215	140,419

8 Goodwill

	2001 (\$000)	2000 (\$000)
Goodwill	67,056	77,431
Accumulated amortization	(5,325)	(4,106)
	61,731	73,325

9 Due to parent company

The amount due to Ridley Corporation Limited is comprised of unreimbursed corporate expenses incurred on behalf of the Company and has no specific terms of repayment.

10 Debt

	2001 (\$000)	2000 (\$000)
Non-revolving term credit facilities	92,498	128,991
Revolving term credit facilities	42,596	44,220
Other facilities	1,522	—
Mortgages payable	355	414
Capital lease obligations	704	—
	137,675	173,625
Less: Current portion	13,394	37,826
Long-term debt	124,281	135,799

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS]

June 30, 2001

(tabular amounts expressed in thousands of dollars)

Non-revolving term credit facilities

As at June 30, 2001, the non-revolving term credit facilities consist of the following:

- a) A facility authorized up to \$9,500,000 (or U.S. \$5,000,000 with remainder to be drawn in Canadian dollars) (2000 - \$10,000,000). At the Company's option, the interest rates on these facilities may be fixed for varying periods based on the bank's prime rate in Canada, Bankers Acceptances, London Interbank Offer Rate or the U.S. base rate. As at June 30, 2001, the weighted average effective cost of borrowing, including the applicable margin, was 8.71% (2000 - 7.72%).

As at June 30, 2001, \$9,500,000 (2000 - \$10,000,000) was outstanding on this facility, denominated in Canadian dollars.

- b) A facility authorized up to U.S. \$36,660,000 (2000 - U.S. \$37,600,000). At the Company's option, the interest rates on these facilities may be fixed for varying periods based on the London Interbank Offer Rate or the U.S. base rate.

As at June 30, 2001, U.S. \$36,660,000 (2000 - U.S. \$37,600,000) was outstanding and the weighted average effective cost of borrowing, including the applicable margin, was 9.228% (2000 - 8.398%).

- c) A facility authorized up to U.S. \$8,345,700 (2000 - U.S. \$10,000,000). At the Company's option, the interest rates on these facilities may be fixed for varying periods based on the London Interbank Offer Rate or the U.S. base rate.

As at June 30, 2001, U.S. \$8,345,700 (2000 - U.S. \$10,000,000) was outstanding and the weighted average effective cost of borrowing, including the applicable margin, was 8.50% (2000 - 8.808%).

- d) A facility authorized up to £6,884,500 (2000 - £7,010,000) pounds sterling. Interest rates on the facility may be fixed for varying periods based on the London Interbank Offer Rate.

As at June 30, 2001, £6,884,500 (2000 - £7,010,000) pounds sterling was outstanding and the weighted average effective cost of borrowing, including the applicable margin, was 8.78% (2000 - 8.509%).

The term credit facilities are repayable in 19 quarterly principal installments commencing January 1, 2001 with a final payment of the balance of principal and interest due on October 1, 2005. As of June 30, 2001, the quarterly installments are C\$250,000, U.S.\$1,297,150 and £312,750 pounds sterling.

- e) During the year, the Company had a bridge loan facility authorized up to U.S. \$22,000,000 (2000 - U.S. \$22,000,000) with an expiration date of December 31, 2000. Interest rates on the facility could be fixed for varying periods based on the bank's U.S. dollar base rate or the London Interbank Offer Rate. Prior to the repayment, the weighted average effective cost of borrowing, including the applicable margin, was 9.553% (June 30, 2000 - 8.753%). The facility was repaid in full by December 31, 2000. Consequently, as at June 30, 2001, the amount outstanding on this facility is nil (2000 - U.S. \$22,000,000).

Revolving term credit facilities

As at June 30, 2001, the revolving term credit facilities consist of the following:

- a) A facility authorized up to \$25,542,520 or the U.S. dollar equivalent (2000 - \$30,000,000). At the Company's option, the interest rates on the facility may be fixed for varying periods based on the bank's prime rate in Canada, Bankers Acceptances, London Interbank Offer Rate or the U.S. base rate. As at June 30, 2001, the weighted average effective cost of borrowing, including the applicable margin, was 7.073% (2000 - 7.887%).

As at June 30, 2001, \$8,775,000 (2000 - \$14,430,362) was outstanding on this facility.

The revolving term credit facility expires on July 1, 2002 and is extendible annually at the bank's option.

- b) A facility authorized up to U.S. \$20,000,000 (2000 - U.S. \$20,000,000). At the Company's option, the interest rates on the facility may be fixed for varying periods based on the bank's U.S. dollar base rate or the London Interbank Offer Rate. As at June 30, 2001, the weighted average effective cost of borrowing, including the applicable margin, was 6.513% (2000 - 8.798%).

As at June 30, 2001, U.S. \$10,000,000 (2000 - U.S. \$3,000,000) was outstanding on this facility.

The revolving term credit facility expires on July 1, 2002 and is extendible annually at the bank's option.

- c) A facility authorized up to £3,000,000 (2000 - £6,000,000) pounds sterling. Interest rates on the facility may be fixed for varying periods based on the London Interbank Offer Rate. As at June 30, 2001, the weighted average effective cost of borrowing, including the applicable margin, was 7.273% (2000 - 8.26%).

As at June 30, 2001, £3,000,000 (2000 - £6,000,000) pounds sterling was outstanding on this facility.

The revolving term credit facility expires on July 1, 2002 and is extendible annually at the bank's option.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS]

June 30, 2001

(tabular amounts expressed in thousands of dollars)

- d) A facility authorized up to U.S. \$8,000,000 (2000 - U.S. \$8,000,000). At the company's option, the interest rates on the facility may be fixed for varying periods based on the bank's U.S. dollar base rate or the London Interbank Offer Rate. As at June 30, 2001, the weighted average effective cost of borrowing, including the applicable margin, was 5.943% (2000 - 8.503%).

As at June 30, 2001, U.S. \$8,000,000 (2000 - U.S. \$8,000,000) was outstanding on this facility.

The revolving term credit facility expires on July 1, 2002 and is extendible annually at the bank's option.

Other credit facilities

Other facilities consist of a non-secured open line of credit authorized up to U.S. \$1,000,000. Interest rates are based on the bank's prime rate. Interest rates, including applicable margins, ranged from 6% to 8.75% during fiscal 2001. As at June 30, 2001, U.S. \$1,000,000 (2000 - nil) was outstanding.

The mortgage payable bears interest at 8% with monthly payments of \$6,828.

Capital lease obligations consist of the present value of payments related to specified leased transportation equipment.

As at June 30, 2001 and June 30, 2000, a general assignment of book debts, a general security agreement over all property, a demand debenture for \$50,000,000 supported by a first fixed and floating charge over all property and a collateral mortgage on certain land and buildings are pledged as collateral for the bank facilities. The Company has also hypothecated all issued shares of Cotswold Pig Development Company Limited as collateral for the bank facilities.

As at June 30, 2001, the aggregate amount of principal payments estimated in each of the next five years and thereafter was as follows:

	(\$000)
June 30, 2002	13,394
2003	54,468
2004	11,872
2005	11,872
2006	11,872
Thereafter	34,197

11 Pensions and post-retirement benefits

The Company has non-contributory deferred benefit pension plans covering substantially all of its U.S. employees. The benefits for salaried employees are based on years of service and the employees' level of compensation during specified periods of employment. The plan covering hourly employees generally provides benefits of stated amounts for each year of service. The Company's funding policy is consistent with statutory regulations and equals the amount deducted for income tax purposes. Prior service costs are amortized over the average future service period of active plan participants. Plan assets include equity and fixed-income securities.

The Company provides post-retirement health care benefits for U.S. employees. These benefits are supplemental to statutory provided health care costs. Post-retirement life insurance benefits are provided for a limited period of time. The components of these expenses are not shown separately as they are not material. The costs of post-retirement health care and life insurance benefits are determined under the per capita claims cost method. Under this method, the Company's obligations are fully accrued by the date the employees attain full eligibility for such benefits. These plans are unfunded.

The change in the financial status of the pension plans and other post-retirement obligations and amounts recognized in the consolidated financial statements at June 30, 2001 and 2000 are:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS]

June 30, 2001

(tabular amounts expressed in thousands of dollars)

	Pension		Other benefits	
	2001 (\$000)	2000 (\$000)	2001 (\$000)	2000 (\$000)
Change in benefit obligation				
Benefit obligation – beginning of year	10,910	10,534	1,737	1,444
Service cost	779	795	214	169
Interest cost	856	741	135	124
Amendments	352	24	–	–
Actuarial gain (loss)	568	(1,163)	108	(13)
Benefits paid	(200)	(166)	(12)	(9)
Effect of foreign currency translation	289	145	46	22
Benefit obligation – end of year	13,554	10,910	2,228	1,737
Change in plan assets				
Fair value plan assets – beginning of year	9,705	8,038	–	–
Actual return on plan assets	149	826	–	–
Employer contribution	1,533	885	–	–
Benefits paid	(200)	(166)	–	–
Effect of foreign currency translation	256	122	–	–
Fair value plan assets – end of year	11,443	9,705	–	–
Fund status	(2,111)	(1,205)	(2,228)	(1,737)
Unrecognized net actuarial loss (gain)	(979)	(2,362)	23	25
Unrecognized prior service cost (benefit)	516	175	(501)	(624)
Prepaid (accrued) benefit cost	(2,574)	(3,411)	(2,706)	(2,336)

The Company's net benefit plan expense is as follows:

	Pension		Other benefits	
	2001 (\$000)	2000 (\$000)	2001 (\$000)	2000 (\$000)
Current service cost	779	795	214	169
Interest cost	856	741	135	124
Expected return on plan assets	(926)	(754)	–	–
Amortization of prior service cost	23	22	3	3
Amortization of (gain)/loss	(106)	(16)	(32)	(7)
Recognized net actuarial loss	–	–	–	–
	626	788	320	289

Weighted average actuarial assumptions as of June 30

	Pension		Other benefits	
	2001 (\$000)	2000 (\$000)	2001 (\$000)	2000 (\$000)
Discount rate	7.50%	7.75%	7.50%	7.75%
Expected return on plan assets	9.00%	9.00%	–	–
Rate of compensation increase	4.00%	4.00%	–	–
Health care cost trend rate			8.50%	8.50%
Decreasing to ultimate trend rate			5.25%	5.25%

It is anticipated that the health care cost trend will decrease from 8.50% in fiscal 2002 to 5.25% in fiscal 2008.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS]

June 30, 2001

(tabular amounts expressed in thousands of dollars)

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one percentage-point change in assumed health care cost trend rates would have the following effect on cost components and benefit obligations.

	1% Percentage point (\$000)	
	Increase	Decrease
Service cost and interest cost	82	(62)
Accumulated benefit obligation	440	(341)

The Company also provides defined contribution plans for substantially all U.S. and Canadian employees. The Company's contributions amounted to \$1,533,000 in 2001 and \$1,348,000 in 2000.

12 Share capital

	2001 (\$000)	2000 (\$000)
Authorized Unlimited number of common shares		
Issued 13,337,500 common shares (2000 – 13,337,500)	81,629	81,629

After August 8, 1998 and prior to August 8, 2002, Ridley Inc.'s parent company, Ridley Corporation Limited, has the right to subscribe for additional common shares in order to maintain a percentage ownership interest in the Company that is equal to 60%. At June 30, 2001, Ridley Corporation held 70.4% of Ridley Inc.'s common shares.

Stock option plan

Under the terms of the Company's stock option plan, approved by shareholders at the Annual and Special Meeting of Shareholders on November 6, 1998, options to purchase common shares of the Company may be granted by the Board of Directors or the Compensation Committee of the Board, to directors, officers, employees and service providers of the Company or its affiliates or subsidiaries. The stock option plan provides that the aggregate number of common shares which may be reserved for issuance under the stock option plan cannot exceed 10% of the common shares of the Company then outstanding.

	2001		2000	
		Weighted average exercise price \$		Weighted average exercise price \$
Stock options outstanding – beginning of year	649,000	8.46	356,000	10.65
Changes pursuant to				
Options granted	387,000	5.38	403,000	6.50
Options cancelled	(110,000)	8.23	(110,000)	8.39
Options exercised	–	–	–	–
Stock options outstanding – end of year	926,000	7.20	649,000	8.46

The following stock options to purchase common shares were outstanding as at June 30, 2001:

Date granted	Exercise price	Vesting date	Expiry date	Number outstanding
Sept. 3, 1998	\$10.65	Sept. 3, 2000	Sept. 3, 2004	257,000
Dec. 1, 1999	\$6.50	Dec. 1, 2001	Dec. 1, 2005	294,000
Nov. 6, 2000	\$5.38	Nov. 6, 2002	Nov. 6, 2006	375,000
				926,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS]

June 30, 2001

(tabular amounts expressed in thousands of dollars)

The options granted on September 3, 1998 vest over the period from September 3, 2000 through September 3, 2002. All other options are fully vested two years subsequent to the date granted. The options granted are subject to the terms and conditions set out in the stock options agreement.

13 Cumulative foreign currency translation adjustments

The cumulative foreign currency translation adjustment account reflects the net changes in the respective book values of the Company's investments in self-sustaining U.S. and U.K. operations due to exchange rate fluctuations since the respective dates of acquisition.

	2001 (\$000)	2000 (\$000)
Balance – beginning of year	2,784	1,506
Effect of exchange rate variation on translation of net assets of self-sustaining foreign operations	1,170	816
Effect of exchange rate variation on translation of items designated as hedges of net investments in self-sustaining foreign operations	1,005	462
Balance – end of year	4,959	2,784

14 Claim settlement

A claim settlement was received in fiscal 2000 from suppliers in the U.S. resulting in a gain of \$7,759,000.

15 Financial instruments

Fair value of financial instruments

The carrying value of the Company's recognized financial instruments which include cash, accounts receivable, loans and advances receivable, bank indebtedness, accounts payable and accrued liabilities and long-term debt approximate their fair value.

Credit risk

The Company, in the normal course of business, is exposed to credit risk from its customers. The Company's financial assets that are exposed to credit risk consist primarily of accounts receivable and loans receivable.

Accounts receivable are primarily short-term receivables from customers which arise in the normal course of business. The Company performs regular credit evaluations on all of its customers.

One customer comprised 34% of the total loans and advances receivable balance at June 30, 2001.

Interest rate risk

The Company enters into derivative financial instruments in order to hedge its risk against interest rate fluctuations. The Company has fixed its variable rate long-term borrowing obligations with the following outstanding interest rate swap agreements:

Notional amount	Interest rate	Term of agreement	Repricing period
\$10,000,000 U.S.	7.28%	July 26, 2001	3 months
\$5,000,000 U.S.	6.47%	November 8, 2001	3 months
\$2,500,000 U.S.	6.48%	November 17, 2001	3 months
\$17,600,000 U.S.	6.60%	January 26, 2002	3 months
\$10,000,000 U.S.	7.38%	October 21, 2002	3 months
\$10,000,000 Cdn.	6.46%	January 8, 2003	3 months
£ 4,500,000 U.K.	7.07%	June 29, 2003	3 months

The unrealized loss on these instruments is \$1,305,000 at June 30, 2001.

Foreign exchange risk

The Company at times enters into forward foreign exchange contracts to hedge future sales denominated in foreign currencies. The terms of the foreign exchange contracts are less than one year. At June 30, 2000, the Company had contracted to sell U.S. \$445,000 at a Canadian equivalent of \$644,646. Forward foreign exchange contracts are not significantly different from the face value. There were no contracts outstanding at June 30, 2001.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS]

June 30, 2001

(tabular amounts expressed in thousands of dollars)

The Company manages a foreign exchange exposure on its net investment in Cotswold U.K. through a loan denominated in pounds sterling. The exchange gain of \$1,004,580, arising on translation of this loan, has been offset against the exchange loss arising on translation of the financial statements of Cotswold U.K. which has been recorded in the cumulative foreign currency translation adjustments component of shareholders' equity.

16 Commitments and contingencies

As at June 30, 2001, the Company was committed to making payments as follows:

	Operating leases (\$000)	Management fees ⁽¹⁾ (\$000)	Livestock purchase commitments ⁽²⁾ (\$000)
June 30, 2002	4,384	3,638	11,696
2003	2,595	2,149	2,546
2004	1,472	1,400	1,257
2005	826	1,187	889
2006	485	1,012	483
Thereafter	1,120	1,243	41

⁽¹⁾ The Company contracts with third party producers pursuant to various swine management, grow-out and feeding agreements. Under the terms of the agreements, livestock owned by the Company is managed and maintained in the producers' facilities for which the Company pays the producer a management fee.

⁽²⁾ The Company contracts with third party producers pursuant to various weanling supply agreements. Under the terms of the agreements, all livestock raised by the producer must be delivered to the Company at a specified price.

Guarantees

The Company has undertaken to guarantee the debts and obligations of various customers. As at June 30, 2001, these guarantees total \$596,000 Canadian dollars and \$3,381,362 U.S. dollars.

Legal actions and other

The Company has been named as a co-defendant in certain product liability legal actions. Management believes that these claims are without merit. The Company has insurance coverage for these claims and the insurance companies have undertaken the defence of these claims. The outcome of these actions is not presently determinable and, accordingly, no provision for these claims has been made in these financial statements.

In the fourth quarter of fiscal 2001, the Company recorded a gain of \$992,000 in cost of sales related to an outstanding matter.

17 Income taxes

The provision for income taxes reflects an effective tax rate which differs from the combined tax rate for Canadian federal and provincial corporate tax rates for the following reasons:

	2001 (\$000)	2000 (\$000)
Earnings before income taxes and goodwill amortization	27,972	15,190
Combined statutory tax rate	41.7%	41.7%
Tax payable based on statutory rate	11,664	6,334
Non-allowable expenses	810	847
Effect of foreign income tax rates and foreign deductions	(2,648)	(2,136)
Effect of current year operating losses not recognized	2,469	2,616
Other	(110)	14
Provision for income taxes before tax benefit from goodwill amortization	12,185	7,675
Tax benefit from goodwill amortization	(677)	(443)
Net provision for income taxes	11,508	7,232

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS]

June 30, 2001

(tabular amounts expressed in thousands of dollars)

Wholly-owned subsidiaries of the Company have cumulative non-capital losses of \$1,679,687 Canadian dollars and £6,343,000 pounds sterling. Canadian losses begin to expire in 2003. Losses incurred in the United Kingdom may be carried forward indefinitely.

18 Statement of cash flows disclosures

	2001 (\$000)	2000 (\$000)
Earnings items not affecting cash		
Amortization and write-off of goodwill	12,506	1,952
Depreciation of fixed assets	10,857	9,495
Loss on sale of fixed assets	190	1,870
Loss on sale of investments	60	2,650
Future income taxes	7,351	5,253
Diminution in value of breeding stock	587	619
Other	43	295
	31,594	22,134

The following amounts comprise the net change in non-cash working capital balances included in the statement of cash flows:

	2001 (\$000)	2000 (\$000)
Cash generated (utilized) by:		
Accounts receivable	(1,053)	8,743
Inventories	(344)	(54)
Prepaid expenses	(364)	372
Accounts payable	40	(9,059)
Income taxes recoverable	602	(3,278)
	(1,119)	(3,276)

The following amounts were paid on account of interest and taxes:

	2001 (\$000)	2000 (\$000)
Interest	14,564	9,250
Income taxes	3,383	5,531

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS]

June 30, 2001

(tabular amounts expressed in thousands of dollars)

19 Segmented information

The company operates three segments which have been segregated on the basis of geographic regions and products and services provided.

The Canadian Division manufactures and distributes livestock feed to customers primarily in the prairie region. The products include a full range of complete feeds and supplements and are marketed directly to agricultural producers. The Canadian Division also operates a market hog operation which utilizes feed products from the feed milling operation to finish hogs for commercial slaughter. Revenue attributable to hog sales is \$34,423,623 (2000 - \$33,632,089).

The U.S. Division manufactures and distributes livestock feed to customers primarily in the U.S. Midwest. The products include a full range of complete feeds and supplements and are marketed both through a dealership network as well as directly to agricultural producers.

The Cotswold Division is engaged in the development and sale of swine genetics. The division operates through subsidiaries in Canada, the United Kingdom and Germany, and a division in the United States. Revenues are derived through the sale of hogs, royalty fees for genetics and franchise fees.

The Company evaluates performance based on operating income. Operating income is earnings before interest, taxes, goodwill amortization and other unusual items.

An analysis of segment information is as follows:

	Canadian Division		U.S. Division		Cotswold Division		Unallocated		Total	
	2001 (\$'000)	2000 (\$'000)	2001 (\$'000)	2000 (\$'000)	2001 (\$'000)	2000 (\$'000)	2001 (\$'000)	2000 (\$'000)	2001 (\$'000)	2000 (\$'000)
Revenue	185,283	167,554	487,574	295,779	49,884	43,246	-	-	722,741	506,579
Cost of sales	153,119	140,042	390,965	227,208	40,609	35,259	-	49	584,693	402,558
Gross profit	32,164	27,512	96,609	68,571	9,275	7,987	-	(49)	138,048	104,021
	17.4%	16.4%	19.8%	23.2%	18.6%	18.5%			19.1%	20.5%
Operating expenses										
Selling, G&A	18,857	17,979	50,777	41,122	13,201	10,557	2,341	2,248	85,176	71,906
Depreciation	1,857	1,884	7,875	6,425	1,054	1,102	71	84	10,857	9,495
Research & development	74	77	654	596	1,960	1,944	12	53	2,700	2,670
	20,788	19,940	59,306	48,143	16,215	13,603	2,424	2,385	98,733	84,071
Operating income	11,376	7,572	37,303	20,428	(6,940)	(5,616)	(2,424)	(2,434)	39,315	19,950
Interest expense									13,540	10,342
Claims settlement (income)									-	(7,759)
Restructuring costs									1,451	-
Other expense (income)									(3,648)	2,177
Net earnings before the following									27,972	15,190
Provision for income taxes									12,185	7,675
Goodwill amortization, net of income taxes									1,304	1,114
Goodwill write-off									10,525	-
Net earnings for the year									3,958	6,401
Total assets	91,779	96,623	229,122	235,070	29,833	39,854	-	-	350,734	371,547
Capital assets & goodwill	46,489	47,267	142,420	145,194	9,712	21,283	-	-	198,621	213,744

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS]

June 30, 2001

(tabular amounts expressed in thousands of dollars)

Revenues, capital assets and goodwill by geographic area are as follows:

	Revenue		Capital assets and goodwill	
	2001 (\$000)	2000 (\$000)	2001 (\$000)	2000 (\$000)
United States	509,516	297,779	143,187	145,245
Canada	187,107	185,538	50,115	51,391
United Kingdom	18,578	14,405	5,296	17,082
Germany	6,396	5,858	23	26
Japan	728	1,305	-	-
Other	416	1,694	-	-
Total	722,741	506,579	198,621	213,744

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FINANCIAL CALENDAR 2000 - 2001*

Following are the anticipated dates on which the Company will announce its results of operations:

First quarter report to September 30

Second quarter report to December 31

Third quarter report to March 31

Year-end results to June 30

November 13, 2001

February 25, 2002

May 16, 2002

August 26, 2002

* Subject to change



Trading Symbol: RCL on The Toronto Stock Exchange

The following trade names are owned or licensed by Ridley Inc. and its subsidiaries: Ridley, Feed-Rite, Hubbard, Cotswold, Wayne Feeds, Daco Western Canada, Farmix, Quality Feeds, CRYSTALYX®, RITE-LIX™.



RIDLEY Inc.